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# Berliner Effektengesellschaft AG Summarised Annual Report 2011





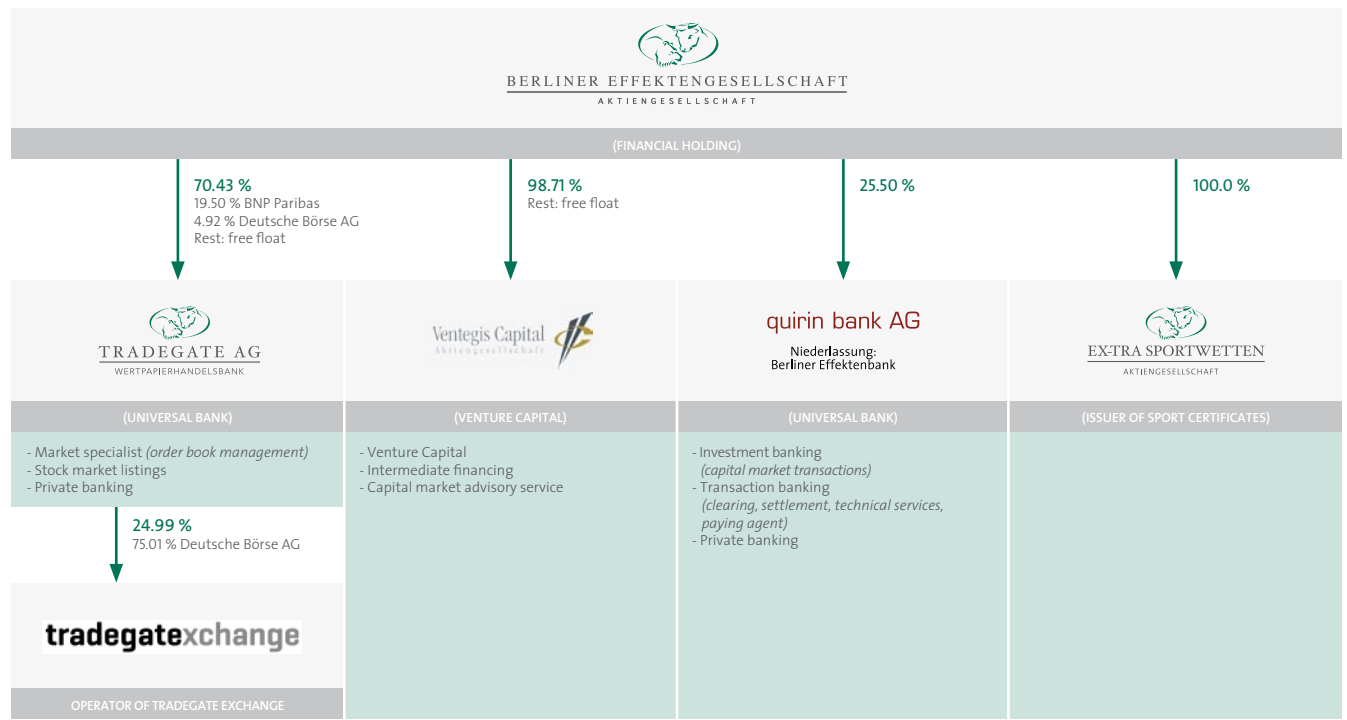
BERLINER EFFEKTEGESELLSCHAFT

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AKTIENGESELLSCHAFT



## GROUP STRUCTURE (31.03.2012)



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

### SHAREHOLDERS' STRUCTURE AS AT 31 DECEMBER 2011

32.53%	H.T.B. Unternehmensbeteiligungen GmbH
48.38%	Holger Timm
19.09%	Free float

### KEY FIGURES AS AT 31 DECEMBER 2011

Result per share:	0.23 €
Dividend:	0.18 € *
Interest surplus/gross profit:	2.3%
Commission surplus/gross profit:	- 22.2%
Trading result/gross profit:	121.8%
Cost/Income-Ratio:	87.8%
Equity ratio:	92.1%

### COMPANY DATA AS AT 31 DECEMBER 2011

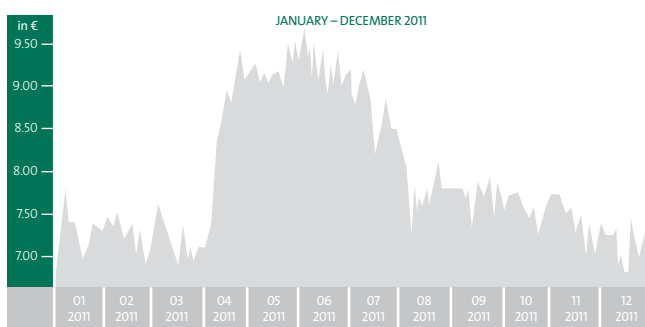
Market capitalisation:	103,626,000 €
Number of shares:	13,872,337
Free float:	19.09% = 2,647,651
Financial accounting:	IFRS
Balance sheet total:	70,198,000 €
Number of employees:	99

### 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%

## SHARE PRICE DEVELOPMENT

BERLINER EFFEKTTENGESELLSCHAFT AG (WKN 522 130, ISIN DE0005221303)



## „NET-ASSET-VALUE“

OF THE LISTED GROUP COMPANIES AND HOLDINGS OF THE BERLINER EFFEKTTENGESELLSCHAFT AG AS AT 30 DECEMBER 2011

	Number of shares BEG holds 30 · 12 · 2011	Share price in Frankfurt 30 · 12 · 2011	Calculative value 30 · 12 · 2011
Tradegate AG	17,292,895	5.64 €	97,531,928 €
quirin bank AG	10,996,373	1.49 €	16,384,596 €
Ventegis Capital AG	3,522,765	7.06 €	24,870,721 €
Number of BEG shares as at 30.12.2011			13,872,337
Calculative value of the three listed group companies/holdings 30.12.2011			138,787,245 €
Calculative value of each BEG share 30.12.2011			10.00 €
Price of the BEG share on 30.12.2011			7.47 €

## MANAGING BOARD AND SUPERVISORY BOARD

As at: 01.05.2012

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

**Supervisory Board**  
Prof. Dr. Jörg Franke, Chairman  
Dr. Andor Koritz, Deputy Chairman  
Andrä Dujardin

## CALENDAR OF EVENTS

14 June 2012 | 2 pm      Annual General Meeting in Berlin

7 December 2012 | 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 2011	in € 31 · 12 · 2011	in € 31 · 12 · 2010	in € difference	in % difference
Cash reserves	159,808.12	654,084.51	- 494,276.39	- 75.6
Receivables from banks	43,489,241.32	40,115,406.26	3,373,835.06	8.4
Receivables from customers	766,816.57	1,082,605.73	- 315,789.16	- 29.2
Provision for risk	- 155,727.78	-	- 155,727.78	-
Trading assets	1,057,858.70	3,417,173.81	- 2,359,315.11	- 69.0
Investments and securities	8,645,435.03	12,221,842.70	- 3,576,407.67	- 29.3
Participatory investments in associated companies	10,923,585.99	11,786,138.94	- 862,552.95	- 7.3
Long term assets available for sale	-	-	-	-
Intangible assets	462,834.16	1,140,627.36	- 677,793.20	- 59.4
Tangible fixed assets	180,747.06	168,238.00	12,509.06	7.4
Income tax claims	2,696,404.04	2,084,886.69	611,517.35	29.3
Other assets	1,952,831.13	373,828.79	1,579,002.34	422.4
Deferred tax assets	17,919.18	33,854.55	- 15,935.37	- 47.1
<b>Total</b>	<b>70,197,753.52</b>	<b>73,078,687.34</b>	<b>- 2,880,933.82</b>	<b>- 3.9</b>





<b>GROUP BALANCE SHEET: EQUITY AND LIABILITIES</b> BERLINER EFFEKTEGESELLSCHAFT AG, Berlin as at 31 December 2011	in € 31 · 12 · 2011	in € 31 · 12 · 2010	in € difference	in % difference
Liabilities to banks	688,626.62	1,614,009.67	- 925,383.05	- 57.3
Liabilities to customers	412,349.39	688,937.34	- 276,587.95	- 40.1
Trading liabilities	248,780.86	1,959,581.83	- 1,710,800.97	- 87.3
Provisions and accruals	783,310.03	471,504.65	311,805.38	66.1
Tax on income	1,465,152.29	825,327.37	639,824.92	77.5
Other liabilities	1,860,922.04	2,456,404.76	- 595,482.72	- 24.2
Deferred tax liabilities	71,400.94	86,811.07	- 15,410.13	- 17.8
Long term liabilities available for sale	-	-	-	-
Equity capital	64,667,211.35	64,976,110.65	- 308,899.30	- 0.5
Minority interests	10,918,607.33	11,132,690.13	- 214,082.80	- 1.9
Subscribed stock	13,821,880.00	13,815,537.00	6,343.00	0.0
Capital reserves	33,641,408.06	33,428,026.97	213,381.09	0.6
Revenue reserves	1,962,324.60	2,323,817.33	- 361,492.73	- 15.6
Revaluation surplus	1,076,477.79	1,432,451.21	- 355,973.42	- 24.9
Group profit	3,246,513.57	2,843,588.01	402,925.56	14.2
<b>Total</b>	<b>70,197,753.52</b>	<b>73,078,687.34</b>	<b>- 2,880,933.82</b>	<b>- 3.9</b>



<b>GROUP INCOME STATEMENT</b> BERLINER EFFEKTEGESELLSCHAFT AG, Berlin as at 31 December 2011	in € 1 · 1 – 31 · 12 · 2011	in € 1 · 1 – 31 · 12 · 2010	in € difference	in % difference
Interest earned	599,103.15	650,849.53	- 51,746.38	- 8.0
Interest paid	- 20,593.33	- 70,464.86	- 49,871.53	- 70.8
Interest surplus	578,509.82	580,384.67	- 1,874.85	- 0.3
Net provision for risk in credit transactions	- 490,492.78	- 18,633.72	471,859.06	2532.3
Interest surplus after provision for risk	88,017.04	561,750.95	- 473,733.91	- 84.3
Commissions received	2,716,729.45	3,681,569.92	- 964,840.47	- 26.2
Commissions paid	- 8,342,717.01	- 7,948,108.98	394,608.03	5.0
Commissions surplus	- 5,625,987.56	- 4,266,539.06	1,359,448.50	31.9
Result from hedge accounting	-	-	-	0.0
Income from trading transactions	87,475,261.40	63,216,786.50	24,258,474.90	38.4
Expenses from trading transactions	- 56,559,155.30	- 38,880,755.93	17,678,399.37	45.5
Trading result	30,916,106.10	24,336,030.57	6,580,075.53	27.0
<b>Gross earning</b>	<b>25,378,135.58</b>	<b>20,631,242.46</b>	<b>4,746,893.12</b>	<b>23.0</b>
Result from investments and securities (available-for-sale)	3,561,203.76	744,533.56	2,816,670.20	378.3
Result from investments (held-to-maturity)	-	-	-	0.0
Result from companies valued at-equity	- 1,137,201.54	187,884.97	- 1,325,086.51	-
Administration expenses	- 22,290,625.69	- 18,522,357.92	3,768,267.77	20.3
<b>Operating result</b>	<b>5,511,512.11</b>	<b>3,041,303.07</b>	<b>2,470,209.04</b>	<b>81.2</b>
Other operating profits	1,822,466.04	2,266,393.71	- 443,927.67	- 19.6
Other operating expenses	- 530,002.88	- 127,364.37	402,638.51	316.1
Other operating result	1,292,463.16	2,139,029.34	- 846,566.18	- 39.6
<b>Result before tax</b>	<b>6,803,975.27</b>	<b>5,180,332.41</b>	<b>1,623,642.86</b>	<b>31.3</b>
Taxes on income and profit	- 2,087,740.13	- 1,275,574.55	812,165.58	63.7
<b>Result after tax</b>	<b>4,716,235.14</b>	<b>3,904,757.86</b>	<b>811,477.28</b>	<b>20.8</b>
Profit/loss owed to shareholders outside the group	- 1,469,721.57	- 1,061,169.85	408,551.72	38.5
<b>Group profit/loss for the year</b>	<b>3,246,513.57</b>	<b>2,843,588.01</b>	<b>402,925.56</b>	<b>14.2</b>
Basic earnings per share	0.23	0.20	0.03	17.0
Diluted earnings per share	0.23	0.20	0.03	17.0



PROFIT APPROPRIATION	in € 1 · 1 – 31 · 12 · 2011	in € 1 · 1 – 31 · 12 · 2010	in € difference	in % difference
Group profit for the year	3,246,513.57	2,843,588.01	402,925.56	14.2
Profit/loss brought forward from last year	2,843,588.01	1,923,380.85	920,207.16	47.8
Dividend payment		-	-	0.0
Transfer from capital reserves	-	-	-	0.0
Transfer from revenue reserves	-	-	-	0.0
Allocations to revenue reserves	- 2,843,588.01	- 1,923,380.85	920,207.16	47.8
<b>Group profit</b>	<b>3,246,513.57</b>	<b>2,843,588.01</b>	<b>402,925.56</b>	<b>14.2</b>



## MANAGEMENT REPORT OF THE BERLINER EFFEKTENGESELLSCHAFT AG GROUP FOR THE YEAR ENDED 31 DECEMBER 2011

### 1. Business and strategy

#### 1.1. Organisation and business areas

The Berliner Effektengesellschaft AG acts as a financial holding and/or investment company without running its own operational business. Through the majority-held group subsidiaries and significant interests in other companies it offers services of various kinds around the capital markets, in particular banking and financial services.

The individual direct and indirect operational subsidiaries are:

- **Tradegate AG Wertpapierhandelsbank, Berlin;**  
holding 70.4 % (Group Accounts according to IFRS), licensed as a deposit bank. The company's main business is securities trading, especially as Market Specialist on the TRADEGATE EXCHANGE and Market Specialist and order book manager on the Frankfurt and Berlin stock exchanges respectively. Tradegate AG Wertpapierhandelsbank in turn holds a stake of almost 25 % in the operating company of the TRADEGATE EXCHANGE, the Tradegate Exchange GmbH. The majority shareholder of this company is the Deutsche Börse AG.
- **Ventegis Capital AG, Berlin;**  
holding 98.7 %, 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.

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 support services for this field of business. The aim of such investments is the initiation, consolidation and enhancement of the business connections of the companies belonging to the Group. At the moment there are no other strategically relevant investments apart from the holding in the quirin bank AG.

The Berliner Effektengesellschaft AG's interest of 25.5 % in the quirin bank AG remains unchanged. According to IFRS regulations the quirin bank AG is therefore an affiliated company of the BEG Group.

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 is based in Berlin. 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 strategic partnership with the Deutsche Börse AG. The number of trades was increased by 76 %, the volume transacted by 87 %. This strong growth was due primarily to winning market share in equity trading with private investors. Compared with other competitors, the seven regional exchanges in Germany, TRADEGATE EXCHANGE now has a ca. 50 % market share in equity trading.

#### 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 and significant interests, 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. Employees

The number of employees in the Group remained constant in 2011 counting 99 employees as at 31 December 2011. The average age is about 40.1 years. The average job tenure is 8.7 years.

Each Group company attaches great importance to retaining well-trained and qualified employees. The flexible increase or reduction of personnel according to the amount of business available in the Group is difficult and undesirable. Through flexible remuneration models the company prefers to ensure that on the one hand no unacceptably high fixed salaries endanger results during difficult economic situations, and on the other that during successful periods all managers and employees have a suitable share in the company's results.

The supervisory board members also receive a fixed basic salary and a variable bonus which is dependent on the amount of the dividend.

#### The number of employees in detail (not including affiliated companies):

Berliner Effektengesellschaft AG	9
Tradegate AG Wertpapierhandelsbank	91
Ventegis Capital AG	4
Ex-Tra Sportwetten AG	2

Some board members have a double function, the total number of employees in the Group is therefore 99.

#### 1.5. Business development and general conditions

In 2011 the general conditions for banks and the financial service industry deteriorated, especially in equity trading with private investors, so a continuous business development was not possible. All Group companies and affiliated companies were affected by the difficult situation surrounding the capital markets.

In spite of the challenging conditions in 2011, the Group subsidiary Tradegate AG Wertpapierhandelsbank was able to report a very respectable increase in turnover for all business areas and a gain of 61 % in the result of ordinary business activities. The net assets could be increased by ca. 91 %. However, based on the German Accounting Law Modernisation Act, the company once again has to put a significant part of profits into the fund for general banking risks.

The subsidiary Ex-tra Sportwetten AG in Vienna reported a profit in 2011 for the second year running, even though there was no significant sporting event during the year. The profits will be used to partially cover the accumulated losses.

Ventegis Capital AG sold two of its investments in 2011, so despite having to write-down an investment it was able to record satisfactory earnings.

The quirin bank AG, an affiliated company of the Group, suffered under the difficult situation on the capital markets in 2011, in particular in the business area Private Banking. Although continued positive growth was achieved with private customers and their deposits, hardly any reasonable margin could be made in either the interest related or success-oriented commission business because of the conservative and risk-avoiding investment strategy, so overall the bank reported a negative result for the year.

In light of the problematic business environment the Group result can be seen as very favourable. The result before tax was increased by ca. 31 % to € 6.804 million and the result after tax rose by 21 % to € 4.716 million.

## 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.



ASSETS	in € 31 · 12 · 2011	in € 31 · 12 · 2010
Cash reserves	159,808.12	654,084.51
Receivables from banks	43,489,241.32	40,115,406.26
Receivables from customers	766,816.57	1,082,605.73
Provision for risk	- 155,727.78	-
Trading assets	1,057,858.70	3,417,173.81
Investments and securities	8,645,435.03	12,221,842.70
Participatory investments in affiliated companies	10,923,585.99	11,786,138.94
Intangible assets	462,834.16	1,140,627.36
Tangible fixed assets	180,747.06	168,238.00
Profits tax claims	2,696,404.04	2,084,886.69
Other assets	1,952,831.13	373,828.79
Deferred taxes on assets side	17,919.18	33,854.55
<b>Total</b>	<b>70,197,753.52</b>	<b>73,078,687.34</b>



EQUITY AND LIABILITIES	in € 31 · 12 · 2011	in € 31 · 12 · 2010
Liabilities to banks	688,626.62	1,614,009.67
Liabilities to customers	412,349.39	688,937.34
Trading liabilities	248,780.86	1,959,581.83
Provisions and accruals	783,310.03	471,504.65
Profits tax	1,465,152.29	825,327.37
Other liabilities	1,860,922.04	2,456,404.76
Deferred taxes on liabilities side	71,400.94	86,811.07
Own funds	64,667,211.35	64,976,110.65
Minority interests	10,918,607.33	11,132,690.13
Stock capital	13,821,880.00	13,815,537.00
Capital reserves	33,641,408.06	33,428,026.97
Retained earnings	1,962,324.60	2,323,817.33
Revaluation surplus	1,076,477.79	1,432,451.21
Group (loss) / profit	3,246,513.57	2,843,588.01
<b>Total</b>	<b>70,197,753.52</b>	<b>73,078,687.34</b>

The rise in receivables from banks is due to the positive earnings performance and the sale of investments in the venture capital segment. Trading assets were reduced on the balance sheet date. Following its positive result of last year, the quirin bank AG once again reported a considerable loss for this business year which is represented proportionately in the result of participatory investments in affiliated companies. The Tradegate Exchange GmbH, also shown under participatory investments in affiliated companies, was able to further improve last year's positive result thus increasing the amount to be reported under affiliated companies. However, as the pro rata negative result of the quirin bank AG was higher than the positive result of the Tradegate Exchange GmbH the amount shown under participatory investments in affiliated companies decreased. During the reporting year the Berliner Effektengesellschaft AG swapped a small number of its own shares for shares in Ventegis Capital AG. Shares in Tradegate AG Wertpapierhandelsbank were also purchased on the market.

Trading liabilities decreased compared with last year commensurate with the fall 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 primarily 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 € 36,583,000.00 (previous year € 35,799,000.00) the liquidity reserves contain trading assets and securities available for sale in the amount of € 3,234,000.00 (previous year € 8,297,000.00).

According to the cash flow statement for the Group the cash flow from operating activities is € 22,337.00 (previous year € 22,000.00). In the course of investment activities net assets from payments of € 4,283,000.00 (previous year € 4,187,000.00) were reported which mainly come from the sale of investments or certain securities.

The cash flow of financing activities amounted to € -1,330,000.00 (previous year € -1,531,000.00). The outflow was used to pay a dividend. The amount of net assets rose from € 30,526,000.00 to € 33,530,000.00.



## Results

The result after tax improved in the business year by € 811,000.00 from € -3,905,000.00 to € 4,716,000.00. 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 € 2011	in € 2010
Interest earned	599,103.15	650,849.53
Interest paid	- 20,593.33	- 70,464.86
Interest surplus	578,509.82	580,384.67
Net provision for risk in credit transactions	- 490,492.78	- 18,633.72
Interest surplus after provision for risk	88,017.04	561,750.95
Commissions received	2,716,729.45	3,681,569.92
Commissions paid	- 8,342,717.01	- 7,948,108.98
Commission surplus	- 5,625,987.56	- 4,266,539.06
Net result on hedge accounting	0.00	0.00
Income from trading transactions	87,475,261.40	63,216,786.50
Expenditure from trading transactions	- 56,559,155.30	- 38,880,755.93
Trading result	30,916,106.10	24,336,030.57
<b>Gross earning</b>	<b>25,378,135.58</b>	<b>20,631,242.46</b>
Result from investments and securities (available-for-sale)	3,561,203.76	744,533.56
Result from financial assets (held-to-maturity)	0.00	0.00
Result from companies valued at equity	- 1,137,201.54	187,884.97
Administration expenses	- 22,290,625.69	- 18,522,357.92
<b>Operating result</b>	<b>5,511,512.11</b>	<b>3,041,303.07</b>
Other operating result	1,292,463.16	2,139,029.34
<b>Result before tax</b>	<b>6,803,975.27</b>	<b>5,180,332.41</b>
Income and profit taxes	- 2,087,740.13	- 1,275,574.55
<b>Result after tax</b>	<b>4,716,235.14</b>	<b>3,904,757.86</b>
Profit / loss from shareholders outside the Group	- 1,469,721.57	- 1,061,169.85
<b>Group profit / loss</b>	<b>3,246,513.57</b>	<b>2,843,588.01</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 € 1,359,000.00 to € -5,626,000.00.





The trading result comes predominantly from trading activity on the TRADEGATE EXCHANGE and this increased noticeably from € 24,336,000.00 to € 30,916,000.00.

In line with IFRS accounting standards, the quirin bank AG reported a loss 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, and an increase in transaction fees for the considerably higher number of securities trades the administration expenses increased to € 22,291,000.00 (last year € 18,522,000.00).

The other operating result of € 1,292,000.00 (previous year € 2,139,000.00) includes the proceeds from consolidation processes from the trading of shares in Tradegate AG Wertpapierhandelsbank. Last year this item contained the profit from the sale of shares in Tradegate AG Wertpapierhandelsbank. A detailed breakdown of the other operating result 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 89.8 % to 87.8 %. As at December 31, 2011 the equity ratio of the Group stood at 92.1 %, following 88.9 % at the closing date of the previous year. The basic earnings per share rose from € 0.20 to € 0.23. 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 this year the business trend in the segment order book management/proprietary trading proved to be positive.

On 9th May 2012 Soltecture GmbH filed for bankruptcy. According to IFRS, Ventegis Capital AG, which runs the business segment Venture Capital, holds direct shares at the balance sheet date to the value of € 3,654,000.00. Ventegis Capital AG also has a stake in Thinfilm Solar Fonds GmbH & Co KG. Thinfilm Solar Fonds GmbH & Co KG also holds a stake in Soltecture GmbH plus accounts receivable. Thinfilm Solar Fonds GmbH & Co KG is included in the group accounts of the Berliner Effektengesellschaft AG at equity. At the balance sheet date promising negotiations were being held with potential investors. Up to the expected conclusion of

the mergers and acquisition procedure the liquidity of Soltecture GmbH was assured. For this reason the prognosis for the continuation of business at Soltecture GmbH was positive. Following a change in strategy by the potential investors the advanced negotiations broke down on 9th May 2012 and Soltecture GmbH had to file for bankruptcy the same day. The economic consequences of this result, an estimated € 3.5 million, will be taken into account in the group accounts for 2012.

### 5. Supplementary report

One noteworthy event which occurred between the end of the business year and the completion of the financial statement concerns the bankruptcy of Soltecture GmbH, a start up investment of Ventegis Capital AG, and is detailed under 4. "Situation at time of writing" above. There were no further occurrences to report up to 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. With this type of stock there is the risk of counterparty default, which depends on the issuer and the form of the investment, and receivables from customers who are liable to default.

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 affiliated 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 affiliated 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 (€ 64,887,000.00 / last year € 69,277,000.00). 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 (€ 41,050,000.00 / last year € 39,894,000.00). The largest single exposure is with the quirin bank AG, where at the balance sheet date a deposit of € 26,494,000.00 (last year € 25,039,000.00) was held. The receivables from foreign banks are with institutes of first class rating (€ 2,439,000.00 / last year € 221,000.00).

The receivables from brokers from trading securities on the stock exchange amount to € 5,000.00 (last year € 163,000.00). 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 € 666,000.00 (last year € 853,000.00). Last year loan loss provisions were made for these receivables in the amount of € 156,000.00.

The receivables from the tax authorities amount to € 2,696,000.00 (last year € 2,085,000.00). 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. At the balance sheet date value-adjusted receivables amounted to € 156,000.00 (last year € 00.00). 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 € 797,000.00 (last year € 00.00).

• **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 (€ 9,921,000.00, last year € 11,125,000.00) 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 € 6,470,000.00 (last year € 7,921,000.00).

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. At the balance sheet date the amount of depreciated financial assets stood at € 184,000.00 (last year € 1,196,000.00).

**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 3.02 and 22.81, 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 € 1,717,000.00 (last year € 3,672,000.00) 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	433	-	256	-	-	-
Liabilities to customers	412	-	-	-	-	-
Trading liabilities	-	-	-	-	-	249

**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 2011 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 2011 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 2011 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.

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 € 2,000.00.

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 liquid asset investments of the Berliner Effektengesellschaft AG the fixed interest securities are mostly with fixed-rate interest periods of three months. 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 Group's internal treasury department.

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 € 00.00 (last year € 1,000.00). The equity capital would change by € 00.00 (last year € 1,000.00).

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 € 74,000.00 (last year € 271,000.00) might 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 2011.

#### 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, they are to be announced separately. The obligation to report was adhered to in 2011. From January to December 2011, the reported ratio of the Solvency Regulation lay between 73.27 % and 100.8 %.



## 7. Outlook

At the moment the Group is not planning to make any significant changes to its business strategy. With the Berliner Effektengesellschaft AG it 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 2010 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 %. Meanwhile, the originally specified sales parameters which entitle Deutsche Börse AG to increase its holding to 20 % were exceeded three times during 2011. On 8 January 2010 Tradegate AG also 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 TRADEGATE EXCHANGE to become a leading European retail exchange the chances of winning market share have improved significantly, as the increase in turnover in 2011 of almost 87 % proves. TRADEGATE EXCHANGE has already achieved over 50 % market share in equity trading compared with other regional exchanges in Germany. The expansion in Europe, however, is still hampered by the differences in national structures with regard to the settlement of securities. The Tradegate AG will remain the most important company within the Berliner Effektengesellschaft Group even if the Deutsche Börse AG exercises its option as planned and our holding is reduced to 55 %.

If the markets remain stable in 2012 the subsidiary can expect a further increase in turnover, but this will be much lower than the increase in 2011. The total volume of trading by private investors will certainly not allow profitable business for any of the securities exchanges and securities trading companies in the medium term, so a definitive consolidation is to be expected. Tradegate's position in the market compared with its competitors remains excellent. An unknown factor is the possible introduction of a European tax on financial transactions. Depending on its exact form such a tax could have very negative effects on the company's activities, especially in the business of trading with private investors.

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 completed the exit of two of its investments in 2011 and is planning a further exit in 2012. The Berliner Effektengesellschaft will continue its efforts to purchase 100 % of the shares of Ventegis Capital AG. 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. As a fee-based advisory bank it continued to grow in 2011 in the area of private banking, but in view of the difficult situation on the capital markets and its strict business philosophy the bank cannot take on any incalculable risks for its own business or for its customers, neither can it generate sufficient amount of coverage to finance further expansion. This investment has enormous growth potential if the innovative business concept can be implemented with continued expansion. The quirin bank AG has no risks arising from derivatives or Greek bonds.

Due to the European Football Cup which takes place in 2012, the group company Ex-tra Sportwetten AG in Vienna expects an improvement on its result for 2011.

With its subsidiaries and investments in the financial sector the company remains to a large extent dependent on a positive capital markets environment.

In the coming years the Group result will be influenced not only by the operative business of its individual subsidiaries but also possibly by a partial sale and consequently a reduced holding in the Tradegate AG Wertpapierhandelsbank.

Berlin, 10 May 2012

Berliner Effektengesellschaft AG

*Holger Timm*

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