



TRADEGATE AG

WERTPAPIERHANDELSBANK

Annual Report 2007

TRADEGATE AG
WERTPAPIERHANDELSBANK

TRADEGATE HILFE UNTERNEHMEN

Kurssuche
ISIN / WKN / Name
suchen »

Kurslisten
TRADEGATE-DAX
TRADEGATE-MDAX
TRADEGATE-TECDAX
TRADEGATE-SDAX

Startseite

Neu bei TRADEGATE

Top 5 Trades

TRADEGATE - Top Titel

K+S AG

	Bid	Ask
K+S AG	270,83	270,96
Thielert AG	1,93	1,95
Infineon Technologies AG	5,14	5,15
Hypo Real Estate Holding	23,87	23,89
CELLS AG	69,25	69,35



TRADEGATE AG

WERTPAPIERHANDELSBANK

Tradegate AG Wertpapierhandelsbank

WKN 521690, ISIN DE0005216907

31 December 2007

Stock capital	24,150,000 € = 24,150,000 individual shares
Berliner Effektengesellschaft AG	95.49 % = 23,062,000 individual shares
Free float	4.51 % = 1,088,000 individual shares
Balance sheet total	45,710,799.74 €
Stockholders' equity	41,898,377.17 €
Stock price at the end of the year	5.70 €
Result per share	0.191 €
Proposed dividend	0.22 €
Number of employees	79



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Dear shareholders, business partners and friends of exchange and online securities trading,

It is said that you can't escape fate. Since the middle of 2007, numerous banks that could not resist the temptation of high returns in the American real estate credit business have increasingly been caught up by the risks they took. The so called subprime mortgage crisis is a little reminiscent of the leveraged products which are popular in many places, i.e. the opportunity of making a high return on a comparatively low stake is very attractive. How much more uncomfortable is the reference to the fact that the lever works just as cumulatively upwards as downwards; that big opportunities often hide big risks.

The investor's trust has been severely shaken by the subprime crisis. As the market prices of all financials reflected the first disclosures of individual institutions, fewer and fewer transactions were made on the stock markets. One recurrently heard from branch specialists: "It could have been worse". But, because life doesn't happen in the conjunctive, things did become worse with every new announcement made by an affected bank. In the end, the turnover figures of all German stock exchanges fell considerably. Our company suffered, too.

Fortunately, with the trading platform TRADEGATE®, our company has the possibility to compensate for negative trends, at least to a certain extent. In 2007 the share of transactions on TRADEGATE® rose sharply in proportion to the fall of turnover on the regional stock exchanges. This contributed largely to our business success.

In France the saying goes, « Le bon blé porte bien l'ivraie » (good things will prevail, even in difficult circumstances). We will have to get used to the fact that new platforms will appear and old ones will be revived and sold as new under the header "MiFID". From our experience, however, we know how professionally, economically and technically challenging it is to establish a new market place and how little initial quasi-successes actually contribute to lasting results. For a start, the number of free market niches is not indefinite and there is no need for pure "me too" providers.



On the other hand, the above mentioned MiFID (Markets in Financial Instruments Directive) provides opportunities to extend sustainable and locally proven business concepts across country borders. Not every investor knows that MiFID makes it possible to select the most favourable trading place before making a transaction and that this trading place does not necessarily have to be an old-established stock exchange. Banks, too, are still offering their customers an unsatisfactory service with regard to MiFID because they send their customers' orders to their usual trading place instead of the lowest priced. Both these things will change in the medium term; more and more banks will start to use so called SORS (Smart Order Routing Systems) which select the market best suited to each order.

In 2007 our company once again demonstrated its enterprising spirit by being the first and, up to now, the only business to start off-exchange trading in France. In November 2007, through MiFID, it became legal for the first time (and thanks to TRADEGATE® possible) for French investors to place their orders outside the stock exchange. The success of this can definitely be considered as a small wonder; within a short time many customers discovered TRADEGATE® and turned the French market into a significant order source. If one takes into account the short space of time in which this market has developed and the success already achieved, we can look with confidence towards positive future growth in neighbouring France.

We would like to express our sincere thanks to our customers, shareholders and employees for their trust and cooperation and we hope for your continued support in the future.



Holger Timm



Kerstin Timm



Jörg Hartmann



Klaus-Gerd Kleversaat



Thorsten Commichau



spread

The buyer wants to pay as little as possible, the seller wants to realise as much profit as possible. The difference between buying and selling prices is called "spread".

TRADEGATE® – Best Price Made in Germany The Story of the Best Price

At the end of their day's work, two salesmen were sitting in a tavern discussing which market place offered the best price. One salesman said that that morning, at the market on the East side of town, he had got one thaler and seven pennies for a kilo of his finest tobacco. His partner then complained because at the market on the West side of town he had only been able to get one thaler for exactly the same tobacco. Both agreed that the market in the East offered the best price.

At the next table sat the blacksmith and a clerk – both smoking a pipe filled with the tobacco that the salesmen had been talking about. The clerk said that today, at the West market, he had had to pay one thaler and eight pennies a kilo. However, at the same time at the East market, the blacksmith had had to pay one thaler and eleven pennies. Both agreed that obviously the West market offered the best price for tobacco.

This short story clearly shows that it is not possible to evaluate an offer effectively without taking a closer look – however loud the market criers' call might be.

■ The spread – an important indicator of price quality

First of all, it must be said that in securities trading prices can be compared irrespective of the quality of the goods: a share of a certain company always has the same quality regardless of whether it is traded in New York, London, Tokyo or Frankfurt. This fact makes price comparison much easier.

Naturally, buyers and sellers assess a price differently; the buyer wants to pay as little as possible, the seller as much as possible. In the end this leads to the realisation that the market that provides a qualitative high-value price is the one that offers high buying and low selling prices. In trading terminology, the remaining difference between buying and selling price is called the "spread".

Narrow spreads characterise high price quality, whereas big or wide spreads signify low price quality.



■ Binding prices – a mark of reliability

Securities' trading on German markets is not yet fully electronic. Even if computers widely support the activities of service providers, i.e. the brokers who are in charge of trading at the stock exchanges, the accomplishment of an actual trading transaction is often still initiated by hand. The broker collects buying and selling orders and then calculates a price at which the participating parties trade with each other. Thus, between the placement of an order and its execution, a longer period of time can elapse during which the price can change. This leads to the situation that an investor sees an attractive price, places an order on the corresponding market, but because the order is delayed it ends up being executed at a less attractive price.

Wherever electronic systems do not rule out this situation there is always a certain scope for fluctuation between price setting and settlement. The rules and regulations standard on today's markets attempt to keep this in check as far as possible but do not really provide effective protection against such occurrences. It is also usual practice to show identical buying and selling orders, so called "zero spread" or "select quotes". If a customer wishes to trade in these, there is often a shift in the prices. For example, in the case of a buying interest the price is moved upwards and in other cases downwards.

Fully electronic market places such as the Deutsche Börse's XETRA system or TRADEGATE® have systematically eliminated this fault. If an indicated price suits an interested party it is tradable immediately and therefore binding. In this way, market participants can no longer communicate prices that appear to be attractive but then refuse to trade them.

One thing is clear; a narrow spread is not enough in itself – customers must also be able to take up the offer. Electronic trading platforms make sure that this is possible and so guarantee favourable prices.

■ Binding order size – price turns into value

We have already ascertained that prices have to be attractive but also reliable. However, to be able to evaluate the price quality of a trading place completely, another factor has to be taken into account, too, i.e. the number of securities and shares, in trading terminology known as "size".

The statement of a certain price for the purchase or sale of a security is not, in itself, sufficient to enable the interested party to make a reliable estimate of what value the offer holds for him personally. Very often, trading places do not even publish the number of securities available. If a customer wishes to trade he can only hope that the price shown is valid for the size of order he wants. In order to be able to keep their own risk as low as possible on the one hand, and on the other offer spreads that look attractive, the offers of some market participants, if at all binding, are often valid for small orders only, sometimes just for one security. The reality is that for an actual transaction, at a trading size usual in the market, higher purchase / lower selling prices materialise. Customers who wonder at the difference between the price offered and the real price will find that this is most often the reason.



MIFID

The EU-Directive on Markets in Financial Instruments (MiFID) focuses on the protection of the private investor.

The above observations lead, then, to the conclusion:

A good price consists of a narrow spread, is binding and of a size usual on the market.

■ Who offers the best price?

In Germany and Europe trading in securities is regulated by law and takes place on an organised market. According to the Frankfurter Allgemeine Zeitung (a daily newspaper) a market is defined as “a place where supply and demand meet, thus forming the (market) price”. It is in the nature of things that prices change and can vary from market to market. It is certain that prices with an unusually high spread are of low quality. The same goes for prices that are not binding and prices with low or no binding size. Market places with high extra costs such as broker’s fees also burden the investor; short trading hours limit the opportunity to trade.

Ultimately it is up to each investor and his custodian bank to choose a securities trading market which suits his individual needs. In doing so, it is quite possible that different markets are at the top of the list for different instruments. On the basis of their specialist focus it has thus emerged that XETRA is suited to institutional investors, CATS-OS is known for warrants and TRADEGATE® best serves private investors in equity trading.

In the Middle Ages duelling knights opened their visor to show their face. The EU-Directive on Markets in Financial Instruments (MiFID) focuses on the protection of the private investor. When selecting a place to trade, the private investor should be able to find information on all incidental costs involved in making a transaction. For all financial markets this now means: visor up! Each trading market is obliged to show its colours and to inform the customer extensively and in advance. For the first time the investor legally has the opportunity to compare prices directly against each other. TRADEGATE® is wary of always guaranteeing the best price because this is demonstrably not always possible. Polls of TRADEGATE® customers have shown, however, that in almost all cases the following statement is true: private investors receive the best price for shares on TRADEGATE®. Anyone can test the result. It is just as significant that especially through the reduction in incidental transaction costs institutions connected to TRADEGATE® also receive the most favourable conditions in all Europe.

TRADEGATE® sees MiFID as an opportunity to extend its service, which is especially attractive to private investors, onto the international trading floor. Why should binding order sizes with narrow spreads and low extra costs only be sought after by German investors? The banks connected to TRADEGATE® are already large international corporations and their customers trust them to submit valuable offers in the area of investment services. If TRADEGATE® can help to make these offers even more attractive, irrespective of borders between countries, all parties, not least the private investor, will benefit. TRADEGATE® has already managed to gain a foothold in Austria and now France, where the implementation of MiFID into local law in November 2007 made off-market securities trading possible for the first time. As the very first provider, TRADEGATE® is in the process of establishing a growing community of private investors for whom the extended trading hours from 8 am to 10 pm is an especially attractive novelty.



limit orders

Until now, limit orders have only been possible at stock exchanges.
Today TRADEGATE® provides this important tool to investors who trade off-market.

■ Limit orders liven up business

As planned, in 2007 TRADEGATE® gained greater popularity through limit orders. For those institutions whose systems support this type of order, the proportion of limit orders increased to up to 50 % of all TRADEGATE® orders. Based on this great success, further institutions plan to introduce the limit order procedure in the course of 2008.

With the limit order procedure the customer can

submit market orders

(just as in the quote request procedure, immediately on entry the order is executed at the respective currently valid market maker quote)

enter limit orders

(the order is executed when the market maker quote equals the limit, i.e. price, of the entered order)

place an order with an expiry date

(if the order is not executed beforehand, it is automatically cancelled on the expiry date – the expiry date “month end”, also known as “ultimo”, is commonly used)

set stop limits

(the order is converted into either a limit or a market order when the market maker’s quote reaches that of the stop or conversion limit attached to the order)

place trailing stop orders

here a stop loss is allocated that automatically matches a rise in the price

submit “one cancels other” orders

here stop loss and selling limits can be set in one individual order



tradebyte

Best Price Made in Germany

Outlook for 2008

■ TRADEGATE® – The story goes on

The English slogan “The story goes on” expresses two things. Firstly, it should be emphasised that the success of past years has continued and, as the impressive figures show, become even more remarkable in 2007. Secondly, it is clear that TRADEGATE® is no longer a local success story, but has started to expand into other lucrative markets in the EU. It will certainly take a while before conditions across the European Union are such that all parties are able to profit from TRADEGATE®’s offer. Nevertheless, TRADEGATE® is already an international success story.

■ TRADEGATE® – IT in constant change

The alteration of important elements of the IT-infrastructure is planned for 2008. Especially in the area of electronic data processing, only continuous modernisation guarantees that technology keeps up with market developments. This means permanent updating of infrastructure components. In 2008 TRADEGATE® plans to exchange key elements of the platform for more effective systems so that we are not confronted with technological limits in the future. This is always a critical process which has to be planned and tested long in advance. The goal is to continue to operate without interrupting business. It should be mentioned that substantial investments are involved here, which we are able to make without undue difficulty, thanks to the business success of the year 2007. We will report on these developments in next year’s annual report.

■ Strategy for Europe

Our company will continue to watch the development of each market and successively enter new fields of activity. The basis for this is a consistent strategy which focuses on each market in succession and in a manageable timeframe. A critical factor for the success of international projects is the definition of the respective post trading processes. Here we can/must use other providers whose services have to be examined repeatedly and intensively. In particular with regard to cross-border trading in securities diverse usages apply. Different local circumstances have to be synchronised.

It is to be expected that with the implementation of the Markets in Financial Instruments Directive, internationally operating trading places will emerge and competition will intensify. It is also becoming apparent that former moderately successful or even unsuccessful projects are being revitalised under the cloak of MiFID and sold as new achievements. Based on many years’ experience in the business our company will certainly not only hold its ground but also continue to close the gap on the established markets.

It is to be hoped that in the end the markets with the best quality rather than the loudest market criers will prevail. Fortunately the decision lies with the investor because he chooses the trading place that suits him best.

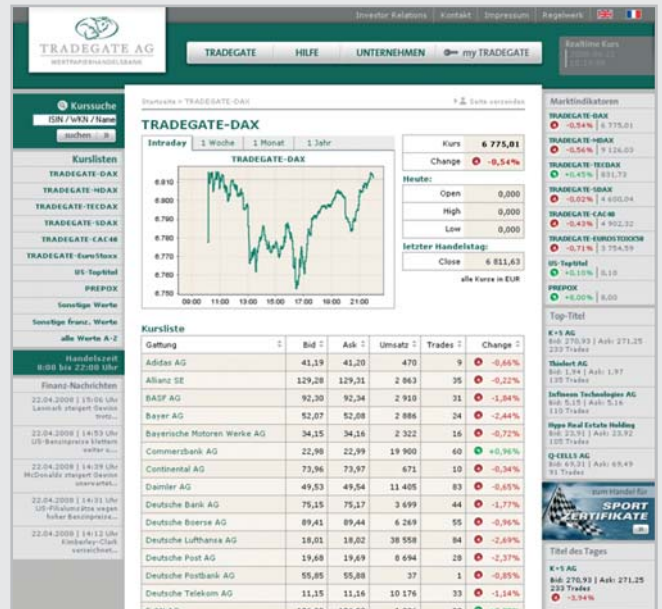
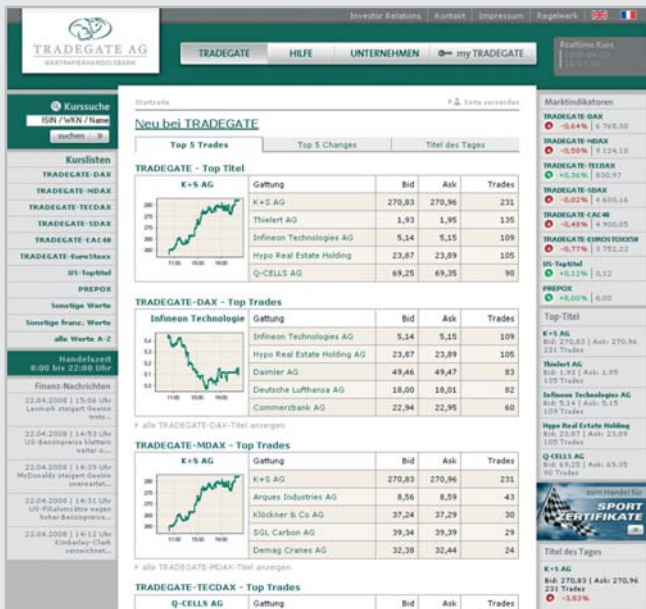


Homepage

With just one look at the homepage you can tell which stocks on which day make the most sales and the biggest price movements. The current top 5 of all traded stocks on the most important national and international share indices are shown according to their sales and price variations.

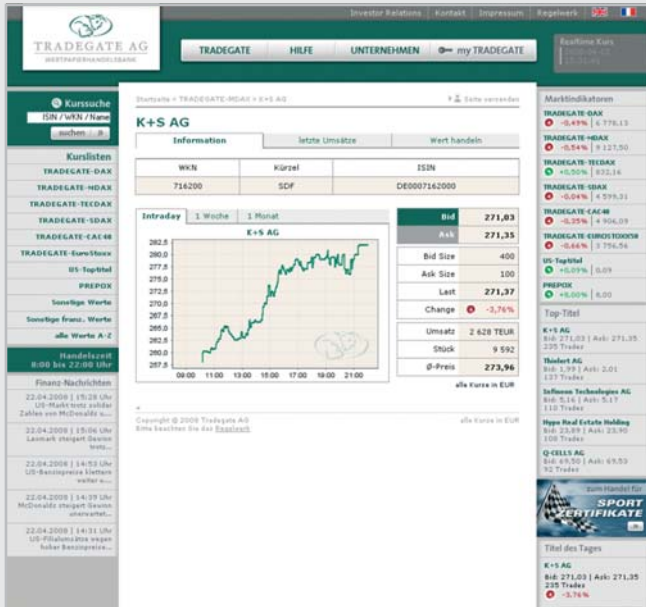
Stock price lists

A look at the various stock price lists gives you a quick market overview of all current tradable prices for all types of securities for each market segment or share index. Stocks are classified according to regional factors (US stock, French stock etc.) or depending on the known share index (Dax, Eurostoxx etc.)



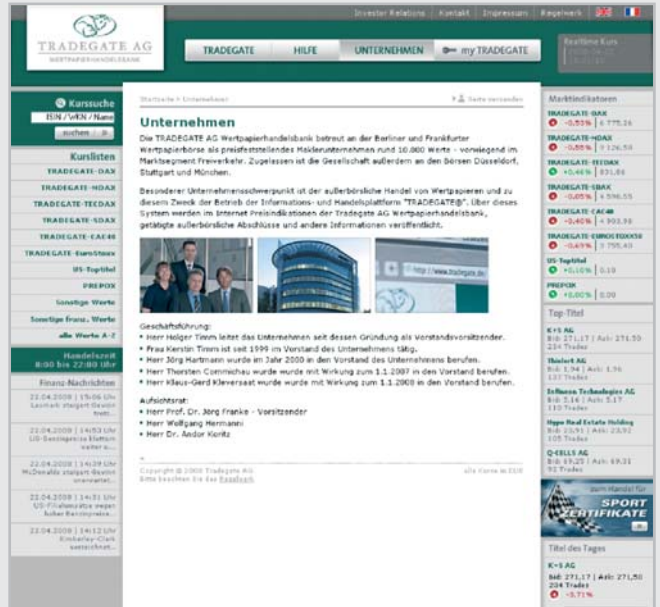
Stocks

A click on an individual stock gives you a summary of all necessary information regarding your chosen stock category. This includes the current tradable prices (pre-trade transparency) as well as all transactions already carried out on that day, with the time (post-trade transparency) and a chart for each stock.



About us

Here is an introduction to our company, Tradegate AG Wertpapierhandelsbank. Under Investor Relations shareholders can find all necessary information on the company, which is listed in the Entry Standard of the Open Market on the Frankfurt Stock Exchange. This includes annual reports, information on the AGM, press announcements and a financial calendar.



Report of the Board
for the year 2007

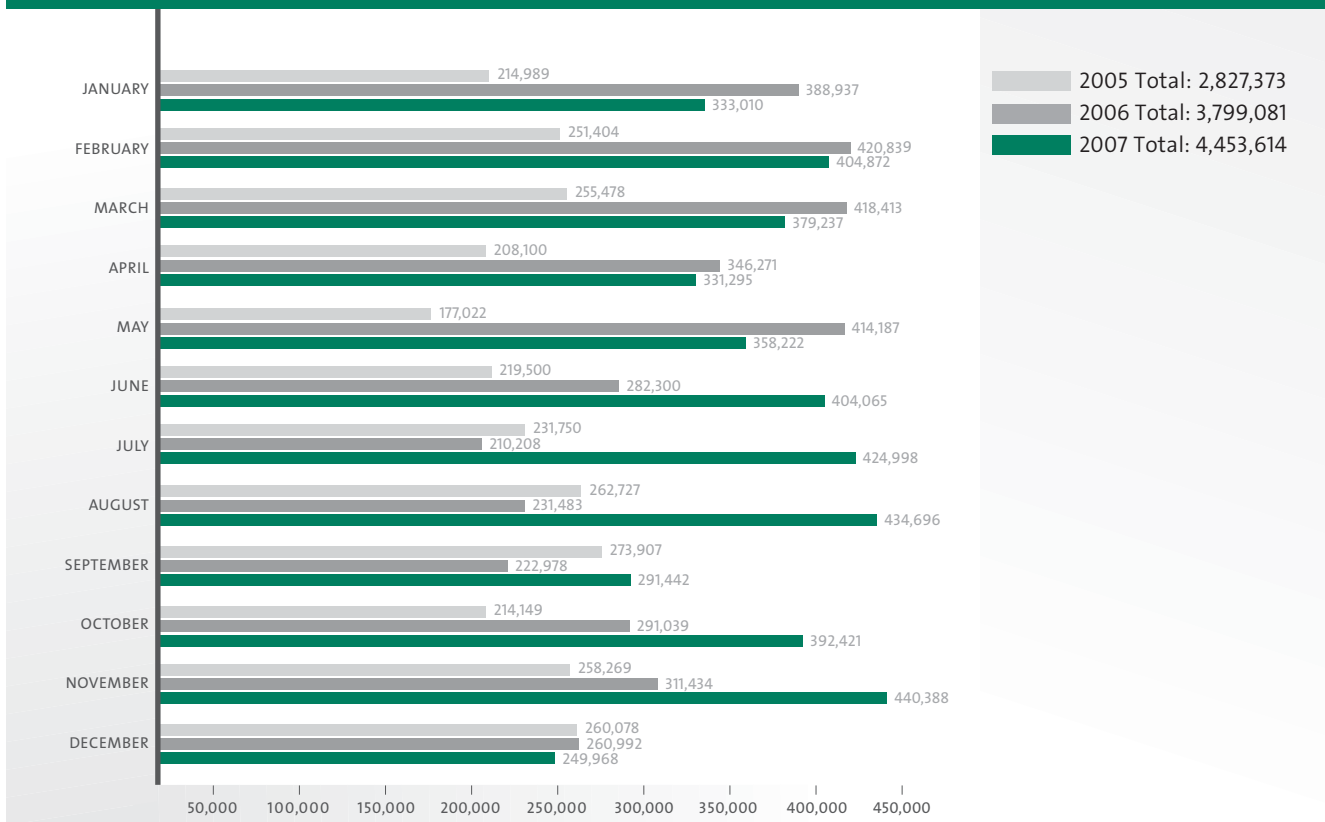
Last year was a truly turbulent but successful business year for our company. Around the middle of the year bad news, including some from German banks, caused by the sub-prime crisis in America, began to hit the capital markets on an almost weekly basis. Even though Tradegate AG is not directly affected by the credit crunch and there are no hidden risks in our balance sheet, such a depressing market environment does not remain without effect for our business activities. Our services are directed almost exclusively at private investors and they are, quite understandably, unsure with regard to the development of the capital markets.

In 2007 Tradegate AG achieved a result from ordinary business activities of € 6.245 m. This represents an increase of about 30.8 % compared with last year. The profit for the year after tax rose by ca. 23.5 % from € 3.738 m in 2006 to € 5.616 m. In view of the difficult conditions in the second half of the year we can consider this result to be very satisfactory. The Annual General Meeting will therefore suggest an increased dividend of € 0.22 per share.

Apart from the financial results, an interesting shift within the business activities of the company occurred in 2007. As every year, we should take a look at the total monthly transactions for the last three years in annual comparison. These figures include all the individual exchange contract notes plus the transactions from our trading platform TRADEGATE®, irrespective of the resulting volume in Euro.



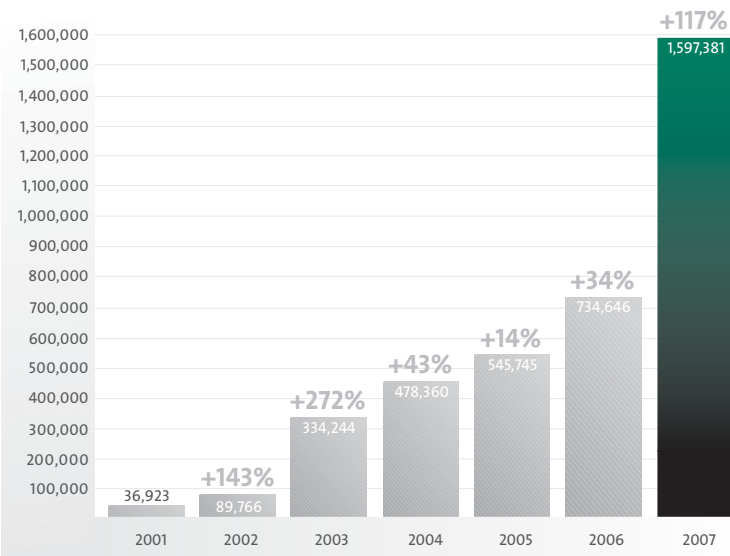
Number of trades | Tradegate AG | Comparison 2005|2006|2007



The graph illustrates that the number of transactions rose by 17 % from 3,799,081 to 4,453,614. At first glance, the monthly figures show a relatively even distribution of transactions, if one does not include the rather weak turnover in the months of September and December. In fact the number of exchange contract notes coming from our business area of order book management at the stock exchanges in Frankfurt and Berlin decreased in 2007 by 6.8 %, falling to 2,856,333 individual contract notes. In contrast, the transactions on our trading platform TRADEGATE® increased in the business year 2007 by an impressive 117 % to a total of 1,597,381 executed customer orders.



Securities transactions on the trading platform TRADEGATE® | Comparison 2001 - 2007

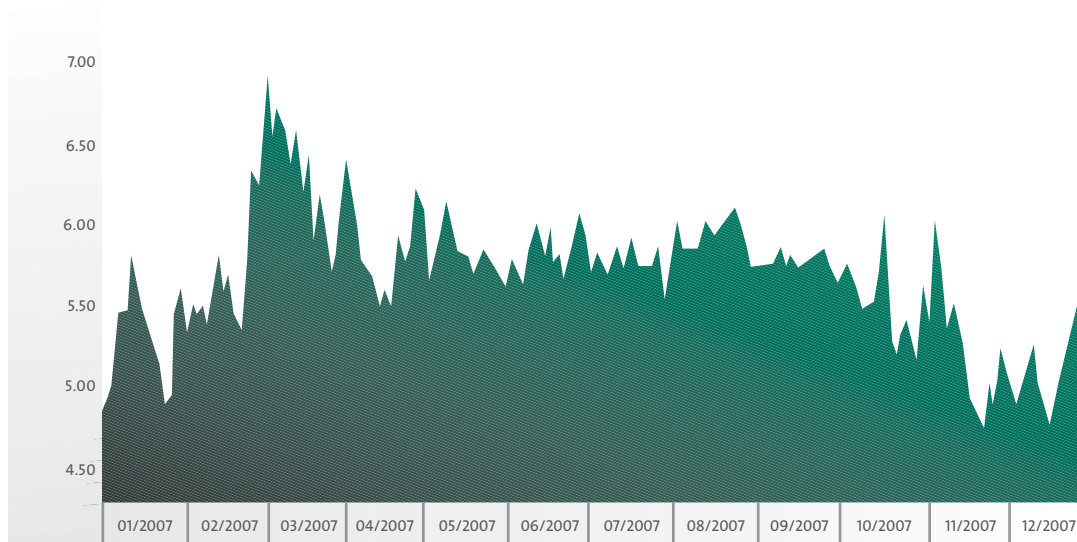


The increase in transactions on TRADEGATE® was especially noticeable in the second half of the year and enabled the company to stave off the underlying downward market trend in exchange deals which set in from July 2007. This shows very clearly that the fundamental decision made by the management back in 2001, i.e. to develop our own trading platform, was correct. In this way, our dependency on stock markets could be reduced further. In 2007 only about 50 % of our profits resulted from the old key business area of order book management. The downward trend becomes even more apparent when one examines the transactions, as the number of contract notes cannot, in fact, be compared directly with the number of deals made on TRADEGATE®. On average, up to three individual contract notes result from one customer order on a German trading floor, whereas on TRADEGATE® customer orders are not split and there are no additional closing settlement notes. If measured by the number of customer orders actually transacted, the proportion coming from TRADEGATE® at the end of 2007 had already reached 75 %. On the earnings side the quota is not as high because TRADEGATE® does not make charges such as broker's fees. Also the prices quoted are very tight and, as a rule, should be better than those on the various reference markets of the respective securities.

Our company's share price development in 2007 is certainly unsatisfactory but it definitely mirrors the sideways shift of some of the large share indices, which, later in the second half-year or during the first quarter of 2008, were forced to some extent to give up the share price increases they had experienced in the first half of the year. Compared with other financial services institutions our share has done creditably well.



Share price development of Tradegate AG Wertpapierhandelsbank | January to December 2007



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In the current business year we want to put the focus of our investments on our own trading platform TRADEGATE®, for which we have made an application for a permit to operate as a so called Multilateral Trading Facility (MTF). With the implementation of the new European legal guidelines (MiFID) in November 2007, new potential has been created to acquire new customers for our company. Business on TRADEGATE® already started in France in November. Quick, cost-efficient trading from 8 am to 10 pm represents a real market innovation for French customers and has met with a big response in a very short time.

A further challenge for the company in 2008 will be the realisation of the permit, valid from 1.1.2008, to operate as a universal bank. A side effect of this extension of the permit for Tradegate AG is that our company has withdrawn from the Compensatory Fund of Securities Trading Companies (EdW). This means that no provisions for possible special charges have to be made for the “Phoenix” liability case, which has lately caused so many newspaper headlines.

The business year 2008 promises to be a difficult period, with stock market turnover by private investors declining until the credit crisis is over. However, the management is quite certain that further market share can be won for TRADEGATE® through new products and customers, at home and abroad. The value of a still young company on the stock market is not just measured on its current strength in earnings, but largely on its potential and market positioning. In this respect the management is intent on making all necessary investments in order to achieve the optimum market share in the competitive environment which has been made possible through the change in European law.

We hope that our new shareholders support the path we have chosen and we thank them for the confidence they have entrusted in us so far.

Berlin, March 2008





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Balance Sheet: Assets Tradegate AG Wertpapierhandelsbank as at 31 December 2007	in € 31.12.2007	in € 31.12.2007	in € 31.12.2006
1) Cash reserves			
a) cash balance	188.26	188.26	144.74
2) Receivables from banks			
a) due daily	18,191,227.41		18,240,936.31
b) other receivables	9,545,480.47	27,736,707.88	8,937,699.46
3) Receivables from customers		323,738.73	457,432.18
of which:			
financial services institutions	147,558.13		251,302.46
4) Bonds and other fixed-interest securities			
a) money market securities			
aa) from other issuers	-		-
of which lendable from the Deutsche Bundesbank	-		-
b) loans and bonds			
ba) from other issuers	322,990.40	322,990.40	333,263.95
of which lendable from the Deutsche Bundesbank	-		
5) Shares and other non-fixed securities		15,909,304.70	16,892,958.89
6) Investments		249,998.00	-
7) Own shares		36,796.69	
8) Intangible assets		228,828.00	244,426.00
9) Tangible fixed assets		533,195.00	507,329.00
10) Other current assets		365,434.94	349,563.57
11) Prepaid and deferred expenses		3,617.14	38,284.80
Total assets		45,710,799.74	46,002,038.90



Balance Sheet: Equity and liabilities Tradegate AG Wertpapierhandelsbank as at 31 December 2007	in € 31 · 12 · 2007	in € 31 · 12 · 2007	in € 31 · 12 · 2006
1) Liabilities to banks			
a) due daily	1,077,850.71	1,077,850.71	2,935,118.60
2) Liabilities to customers		148,088.51	248,079.69
of which:			
financial services institutions	148,088.51		248,079.69
3) Other liabilities		824,832.02	278,310.77
4) Prepaid and deferred expenses		79,469.12	38,443.68
5) Provisions and accruals			
a) tax provisions	538,294.93		849,913.98
b) other provisions	1,143,887.28	1,682,182.21	748,172.55
6) Equity capital			
a) subscribed stock	24,150,000.00		24,150,000.00
b) capital reserves	1,933,656.78		1,933,656.78
c) revenue reserves			
ca) statutory reserves	1,516,343.22		1,516,343.22
cb) reserves for own shares	36,796.69		
cb) other revenue reserves	8,948,580.48		9,681,499.63
d) net profit	5,313,000.00	41,898,377.17	3,622,500.00
Total equity and liabilities		45,710,799.74	46,002,038.90



Income Statement Tradegate AG Wertpapierhandelsbank for the period from 01.01.2007 to 31.12.2007	in € 01.01.2007 – 31.12.2007	in € 01.01.2007 – 31.12.2007	in € 01.01.2007 – 31.12.2007	in € 01.01.2006 – 31.12.2006
1. Interest earned from				
a) credit and financial market business	893,943.40			537,191.31
b) fixed-interest securities and government ledger bonds	1,115.23	895,058.63		19,411.56
2. Interest paid		- 0.27	895,058.36	- 0.36
3. Current earnings from				
a) securities and other non fixed-interest securities			113,229.49	210,447.46
4. Commissions received		8,337,566.83		8,312,067.29
of which: broker's commission	7,790,345.59			8,043,422.27
5. Commissions paid		- 8,535,830.43	- 198,263.60	- 6,831,874.37
of which: broker's commission	- 3,153,292.07			- 3,630,853.76
6a. Earnings from financial transactions		72,894,700.54		42,848,489.99
of which:				
aa) securities	32,556,894.92			15,886,735.17
ab) foreign exchange differences from designation of the counterparty transactions	40,248,252.90			26,959,861.08
6b. Expenses from financial transactions		- 55,387,059.76	17,507,640.78	- 29,777,654.41
of which:				
ba) securities	- 24,338,487.47			- 12,702,096.94
bb) foreign exchange differences from designation of the counterparty transactions	- 30,845,477.20			- 17,073,699.85
7. Other operating profits			816,141.97	514,676.04
8. General administration				
a) personnel expenses				
aa) wages and salaries	- 5,896,991.52			- 5,059,584.38
ab) social security payments and expenses for retirement provisions	- 736,397.46	- 6,633,388.98		- 717,876.37
of which: € 39,084.90 for retirement provisions				31,521.02
b) other administration expenses		- 5,514,942.04	- 12,148,331.02	- 4,859,756.64



Income Statement Tradegate AG Wertpapierhandelsbank for the period from 01.01.2007 to 31.12.2007	in € 01.01.2007 – 31.12.2007	in € 01.01.2007 – 31.12.2007	in € 01.01.2007 – 31.12.2007	in € 01.01.2006 – 31.12.2006
9. Write-offs and value adjustments on intangible assets and tangible fixed assets			- 330,273.25	- 309,366.81
10. Other operating expenses			- 68,338.76	- 127,984.17
11. Write-offs and value adjustments on receivables and certain securities and on allocations to provisions and accruals in the credit business		- 91,155.52	- 91,155.52	-
12. Earnings from write-ups to receivables and certain securities and from the release of provisions in the credit business		-	-	15,215.83
13. Write-offs and value adjustments on investments, shares in affiliated companies and securities treated as fixed assets		- 249,998.00	- 249,998.00	-
14. Result from ordinary activities			6,245,710.45	4,773,401.97
15. Income and profit taxes		- 1,628,832.91		- 1,034,909.70
16. Other taxes, unless recorded under item 10		-	- 1,628,832.91	-
17. Net income for the year			4,616,877.54	3,738,492.27
18. Withdrawals from revenue reserves				
a) from other revenue reserves		732,919.15	732,919.15	-
19. Allocations to the revenue reserves				
a) to reserves for own shares		- 36,796.69		-
b) to other revenue reserves		-	- 36,796.69	- 115,992.27
20. Net profit			5,313,000.00	3,622,500.00



A. GENERAL INFORMATION ON THE CLASSIFICATION OF THE FINANCIAL STATEMENTS AND ON ACCOUNTING AND VALUATION METHODS**■ Preparation of the financial statements**

The financial statements of the Tradegate AG Wertpapierhandelsbank for the year ended 31 December 2007 were prepared in accordance with the provisions of the Handelsgesetzbuch (HGB) – (German Commercial Code) and the Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute (RechKredV) – (Bank Accounting Directive), as last amended on 22 May 2005.

The classification of the financial statements is made in accordance with the RechKredV; the step-down report has been chosen for the profit and loss statement.

The financial statements were prepared in €.

■ Accounting and valuation principles

Accounting and valuation principles correspond with statutory regulations.

Receivables from banks and customers are shown at their nominal value. Securities are defined in Section 7 RechKredV; in the balance sheet at 31 December 2007 we show them under the items “bonds and other fixed-interest securities”, “stocks and other non-fixed interest securities” and “own shares”. When stating profits/expenses we distinguish in the case of securities between trading stocks, stocks of the liquidity reserve (securities which are treated neither as fixed assets nor as part of the trading stock), and securities that are treated as fixed assets. In the first two cases, these are current assets which are stated strictly observing the principle of lower of cost or market, for each type of security, at the continuously determined average values or lower values on the balance sheet date. Securities that are treated as fixed assets are not included in the balance sheet.

Recognisable risks have been accounted for with value adjustments, provisions and accruals.

We have valued intangible assets and tangible fixed assets at acquisition or production costs and, where possible, allowed for book depreciation on a straight-line basis. Low-value fixed assets are written off in full in the year of acquisition and booked out.

Liabilities, as far as they are interest bearing, are stated at their repayment amount. Non-interest-bearing liabilities, if any, are shown at cash value. Delivery liabilities arising from going short on securities are shown under liabilities to banks with the value of the securities at the time of sale.

On the basis of reasonable commercial judgement, we have formed provisions and accruals for taxes, uncertain liabilities and impending losses from pending transactions to the amount of their probable utilisation. Provisions were made for impending losses from going short on securities and pending name-to-follow transactions.

Proportionate interest determined at the balance sheet date is shown under the underlying receivables or liabilities.



■ Currency exchange

The valuation of assets and debts denominated in foreign currency has been made in accordance with the provisions of Section 340 h HGB. A variance occurs for those stocks quoted on a stock exchange in € and whose nominal value or computed nominal value (for example individual shares) is denominated in a foreign currency. These might be stocks of US-American companies whose capital is denominated in US-\$. We have recorded these securities, observing the principle of lower of cost or market, at their acquisition costs or at the closing rates determined in € on a German stock exchange as at 28 December 2007.

All other assets and debts denominated in foreign currencies were converted at reference rates of the European Central Bank or, in cases where no reference rates were available, at the average rates on the foreign exchange market at the balance sheet date. For the balance sheet items, providing the assets and liabilities positions were in the same currency, the method of simply covered assets and debts was applied and the option taken pursuant to § 340 HGB to exclusively realise losses from currency conversion.

B. NOTES TO THE BALANCE SHEET

■ Classification of remaining terms

The classification of remaining terms is as follows:

	in € 2007	in € 2006
Other receivables from banks		
a) up to three months	9,545,480.47	8,937,699.46
b) more than three months and less than one year	0.00	0.00
c) more than one year and less than five years	0.00	0.00
d) more than five years	0.00	0.00
	9,545,480.47	8,937,699.46
Receivables from customers		
a) up to three months	0.00	0.00
b) more than three months and less than one year	0.00	0.00
c) more than one year and less than five years	0.00	0.00
d) more than five years	0.00	0.00
e) indefinite time period	323,738.73	457,432.18
	323,738.73	457,432.18



■ Receivables from and liabilities to affiliated companies

Classification according to balance sheet item	in '000 € 2007	in '000 € 2006
Receivables:		
other current assets	46	-
Total	46	-
Liabilities:		
Other liabilities	141	6
Total	141	6

■ Total amount of all assets and debts denominated in foreign currency

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

	in '000 € 2007	in '000 € 2006
Assets	1,673	2,079
Debts	572	307



■ Securities marketable on the stock exchange

	in '000 € 2007	in '000 € 2006
Listed on a stock exchange		
Bonds and other fixed-interest securities	323	333
Stocks and other non-fixed interest securities	3,512	3,966
Investments	0	0
Not listed on a stock exchange		
Bonds and other fixed-interest securities	0	0
Stocks and other non-fixed interest securities	11,952	12,776
Investments	250	0

Except for shares to the book value of € 445,000.00, all securities held are marketable on the stock exchange.

Remaining term	less than one year	from one to five years	more than five years	indefinite	Total
Book value '000 €	0	0	2	321	323

The shares not listed on the stock exchange and other non-fixed interest securities include € 8,000.00 marketable shares and € 11,944,000.00 shares in an equity fund.



■ Development of capital assets

	in € Acquisition costs	in € Additions in the business year	in € Disposals in the business year	in € Rebookings	
Financial assets					
Investments	-	499,996.00	-	-	
Total financial assets	-	499,996.00	-	-	
Intangible assets					
Software	1,434,158.55	78,514.90	-	-	
Payments on intangible assets	-	-	-	-	
Total intangible assets	1,434,158.55	78,514.90	-	-	
Tangible fixed assets					
Business and office equipment	4,324,114.32	262,067.43	101,893.87	-	
Total tangible fixed assets	4,324,114.32	262,067.43	101,893.87	-	
Total assets	5,758,272.87	840,578.33	101,893.87	-	

■ Other current assets

The position "other current assets" contains those items which cannot be subsumed under other balance sheet items on the assets side. They relate mainly to receivables from the tax authorities for corporate tax credits of € 283,000.00. A further € 29,000.00 is also included here for overpayments made to the Compensatory Fund of Securities Trading Companies (EdW).

■ Other liabilities

The position "other liabilities" contains those items which cannot be subsumed under other balance sheet items on the equity and liabilities side. Of the € 825,000.00, € 606,000.00 relate to liabilities and accruals and deferrals based on deliveries and services, € 78,000.00 to income tax not yet paid, € 106,000.00 to sales tax to be paid to the parent company and € 34,000.00 to services provided by the parent company. At the balance sheet date, in line with the evaluation of foreign currency in "receivables and liabilities", it was not necessary to create a foreign currency balancing item for unrealised gains (previous year € 3,000.00).



	in € Write-offs in total	in € Write-offs in the business year	in € Residual book value at 31.12.2007	in € Residual book value in previous year
	249,998.00	249,998.00	249,998.00	-
	249,998.00	249,998.00	249,998.00	-
	1,283,845.45	94,112.90	228,828.00	244,426.00
	-	-	-	-
	1,283,845.45	94,112.90	228,828.00	244,426.00
	3,951,092.88	236,160.35	533,195.00	507,329.00
	3,951,092.88	236,160.35	533,195.00	507,329.00
	5,484,936.33	580,271.25	1,012,021.00	751,755.00

■ Provisions and accruals

Under provisions and accruals items have been placed which belong in the income statement for the business year 2007 or earlier, but do not yet have a fixed amount or date of maturity. The classification of the other provisions and accruals can be seen in the following table:

Provisions and accruals for	in '000 € 31.12.2007	in '000 € 31.12.2006
Personnel costs	496	191
Rebuilding costs	130	90
Cost of annual financial statement	120	127
Impending losses from settlement agreement	120	120
Impending losses from pending transactions	96	21
IT services	69	29
Contributions to associations	63	40
Additional property expenses	19	7
Advisory and auditing services	10	11
Impending losses from going short	5	4
Stock exchange fees for the flotation of securities	2	39
Cost of securities settlement	0	27
Stock exchange fees for the use of electronic data	0	18
Other expenses	14	24
Total	1,144	748



■ Capital stock/subscribed stock

As at 31 December 2007 the subscribed stock remained unchanged and amounted to € 24,150,000.00. The capital stock of the corporation is thus divided into 24,150,000 nominal shares. The largest shareholder and parent company in terms of § 290 HGB (German Commercial Code) is the Berliner Effektengesellschaft AG, which is also the highest-level company in the group. The Tradegate AG Wertpapierhandelsbank is included in the parent company's group financial statements, which are published in the Federal Bulletin and filed at the local court in Charlottenburg.

■ Approved capital

On the basis of the resolution of the shareholders' meeting on 31 March 2006, the Board, with the consent of the Supervisory Board, is authorised until 30 March 2011 to increase the subscribed capital of the company once or more than once, by issuing individual stocks against cash or non-cash contribution up to the amount of € 11,500,000.00, thereby setting an alternative date for the beginning of profit sharing from that set down by law.

■ Contingent capital

The contingent capital is intended for the issue of option rights, warrants without bonds, convertible bonds or subscription rights without bonds.

Following the resolution of the shareholders' meeting on 31 March 2006, the Board, with the consent of the Supervisory Board, is authorised until 30 June 2008 to issue or grant, once or more than once, interest-bearing convertible bonds and/or option rights issued to the bondholder or bearer with a maximum duration of five years and a conversion privilege or option on up to 2,300,000 new bearer shares of the company.

	Contingent capital 01 · 01 · 2007	Additions	Expiry/use	Contingent capital 31 · 12 · 2007	of which used	of which unused
Option rights	2,300	0	0	2,300	500	0
Total	2,300	0	0	2,300	500	0



In 2007 the Tradegate AG Wertpapierhandelsbank started a stock option scheme for the employees of Tradegate AG Wertpapierhandelsbank and the Berliner Effektengesellschaft AG. The employees were offered 496,500 option rights. For each option, the bearer is entitled to buy one individual share of the company which corresponds to one share of the nominal capital at € 1.00. The condition for exercising the option rights is that at the time of exercising the option, and for each year of maturity, the closing price of the share of Tradegate AG Wertpapierhandelsbank must lie at least 6 % above the average closing price of the company's share on the Berlin Stock Exchange for the last ten trading days before the option right is exercised. Further details on the stock option scheme, status 31 December 2007, are summarised as follows:

Year of assignment	in € 2007
Exercise period 15.02.2009 - 14.02.2012	
Strike price	5.20€
Exercise hurdle	5.19€
Options offered	496,500
Options accepted	496,500
Value of option right upon issue	0.77€
Stock at 01.01.2007	-
newly issued options	496,500
forfeited options	-
exercised options	-
expired options	-
Stock at 31.12.2007	496,500
of which exercisable	-



■ Capital reserves

No additions were made to the capital reserve in the business year.

■ Revenue reserves

The capital reserves and the statutory reserves make up more than 10 % of the stock capital in line with the requirements of Article 150 Para. 2 of the Companies Act. Therefore an allocation to statutory reserves is not necessary.

Providing the managing board and the supervisory board approve the annual financial statements, they can put the amount that exceeds half of the year's profit into the other revenue reserves until half the amount of capital stock is reached.

Other revenue reserves of € 732,919.15 are to be liquidated, so as at 31 December 2007 € 8,948,580.48 remain.

■ Own stocks

In accordance with Article 71 Para. 1 clause 7 of the Companies Act, the company was authorised by resolution of the shareholders' meeting on 26 June 2007 to purchase company shares for the purpose of trading in own shares.

The authorisation is limited to the purchase of own shares up to a percentage of the share capital totalling five in one hundred and is valid until 23 December 2008. Trading can take place at prices that do not fall more than 20 % above or below the preceding day's closing price of the Tradegate AG Wertpapierhandelsbank share in floor trading at the Frankfurter Stock Exchange.

In 2007, the authorisation to purchase own stocks for the purpose of trading was utilised. Each number of traded shares for the calendar month is shown in the table below. The shares were bought on the stock exchange. In 2007, 6,839 shares of Tradegate AG Wertpapierhandelsbank were purchased at a price of € 36,796.69. No shares were sold. A reserve for own stocks to the amount of the book value of own shares of € 36,796.69 is included in the balance sheet and is taken from the net income for the year on 31 December 2007.

Month	Shares purchased	Shares sold	Percentage of share capital
December 2007	6,839	-	0.03%
Total	6,839	-	0.03%



C. EXPLANATIONS TO THE INCOME STATEMENT

■ Profits and expenses from financial transactions

The “profits and expenses from financial transactions” are earnings or losses which arise from the purchase and sale of financial instruments, especially securities, as a result of market price fluctuations. Write-offs on trading stocks are dealt with separately. They are shown under “profits” or “expenses from financial transactions a) securities”. Furthermore, differences on name-to-follow transactions are shown here under the sub-item b). In the past business year there were no profits or expenses from futures or options. The results from foreign exchange positions arising in connection with trading stocks in securities are included in the total amount.

■ Commission earnings and expenses

The “commission earnings and expenses” contain earnings and expenses that arise during business operation from invoices for the use of financial services. These include, among other things, invoices from the settlement bank for the costs of securities settlement. Broker’s fees and costs are booked pre-tax each trading day.

■ Other operating profits

The position “other operating profits” contains items which are not related directly to actual business. The most important amounts of the total of € 816,000.00 are shown in the following table.

Item	in '000 € 2007	in '000 € 2006
Cost allocation affiliated companies	269	416
Cost allocation other companies	237	38
Refund of contributions	77	23
Release of provisions	74	26
Revenues from transfer of rights	67	0
Damages	62	0
Other	30	12
Total	816	515

■ Expenses in other accounting periods

The position “other administration expenses” contains € 23,000.00 expenses from other accounting periods.



■ Taxes

The income and profit taxes pertain to taxes for the last year arising from normal business activities, and estimated taxes and provisions for 2007. The provisions for tax prepayments amount to € 527,000.00 for the reporting period 2007 and to € 11,000.00 for other reporting periods. The final reports of the external audit carried out by the Tax Office for Corporations I in Berlin, which cover the years 2000 to 2002 are now available. On the basis of these reports, back duties of € 18,000.00 and interest of € 6,000.00 were paid.

D. OTHER INFORMATION

■ Other financial obligations

Obligations of € 2,145,000.00 exist for rental, leasing and servicing contracts. They relate mainly to rental contracts valid until 31 December 2009 for office premises.

The Tradegate AG Wertpapierhandelsbank has guaranteed credits with the quirin bank AG and the Delbrück Bethmann Maffei AG. The total amount stands at € 8,356,000.00. The guaranteed credits serve mainly as security required by the Stock Exchange Act for risks from the settlement of name-to-follow transactions and foreign exchange differences. Assets and securities have been mortgaged for the amount corresponding to the guaranteed credits.

■ Employees

The number of employees developed as follows:

	female	male	total	Total previous year
Average of the year				
Board members	1.0	3.0	4.0	3.0
Traders	6.0	32.8	38.8	36.1
Other employees	12.5	16.7	29.2	27.3
Maternity leave	2.5	-	2.5	2.5
Trainees	1.0	-	1.0	-
Student trainees	-	3.5	3.5	5.5
Interns	-	-	-	-
Total	23.0	56.0	79.0	74.4
of which part-time employees (headcount)	3.3	4.5	7.8	9.8
of which part-time employees (in terms of full-time positions)	2.3	2.1	4.4	4.8
as at 31. December 2007				
Board members	1	3	4	3
Traders	6	34	40	38
Other employees	13	17	30	27
Maternity leave	2	-	2	2
Trainees	2	-	2	-
Student trainees	-	1	1	5
Interns	-	-	-	-
Total	24	55	79	75
of which part-time employees (headcount)	4	2	6	9
of which part-time employees (in terms of full-time positions)	2.7	1.0	3.7	4.1



■ Corporate bodies of the Tradegate AG Wertpapierhandelsbank

In accordance with Article 285 Para. 10 HGB, listed below as at December 31, 2007 are the members of the board and the members of the supervisory board as well as their memberships of other supervisory boards and comparable managing bodies in domestic and foreign business establishments.

■ Members of the Board

Thorsten Commichau, Berlin

occupation held: development and marketing of the off-exchange information and trading platform, Tradegate®

Jörg Hartmann, Berlin

occupation held: exchange trader, domestic securities trading department

Other positions:

Member of the Supervisory Board Kapula AG, Berlin

Klaus-Gerd Kleversaat, Berlin (since 1. January 2008)

occupation held: Board Member Private Banking, Berliner Effektenbank, subsidiary of the quirin bank AG

Other positions:

Chairman of the Supervisory Board	IVU Traffic Technologies AG, Berlin
Deputy Chairman of the Supervisory Board	Ventegis Capital AG, Berlin
Member of the Supervisory Board	Euro Change Wechselstuben AG, Berlin
	Orbit Software AG, Berlin
	quirin business support AG, Leipzig
	Stream Films AG, Berlin
Member of the Board	quirin bank AG, Berlin

Holger Timm, Berlin

occupation held: Chairman of the Board and Speaker of the Board of the parent company

Other positions:

Chairman of the Supervisory Board	quirin bank AG, Berlin
Deputy Chairman of the Supervisory Board	Ex-tra Sportwetten AG, Vienna, Austria
Member of the Supervisory Board	EuroChange AG, Berlin
	Ventegis Capital AG, Berlin

Kerstin Timm, Berlin

occupation held: exchange trader, foreign securities trading department

■ Members of the Supervisory Board

Prof. Dr. Jörg Franke, Frankfurt am Main

occupation held: Chairman of the Supervisory Board of Tradegate AG Wertpapierhandelsbank, Berlin

Other positions:

Chairman of the Supervisory Board	Berliner Effektengesellschaft AG, Berlin
	EASDAQ n. v., Leuven/Belgium (since 25.09.2007)
	Ex-tra Sportwetten AG, Vienna, Austria
	Jatro AG, Frankfurt (since 01.11.2007)
	RTS Realtime Systems AG, Frankfurt am Main
Deputy Chairman of the Supervisory Board	Ventegis Capital AG, Berlin
	Börse Berlin AG, Berlin
	Zweitmarkt PLUS AG, Berlin
Member of the Supervisory Board	Europäische Warenertminbörse Beteiligungs AG, Hannover
Chairman of the Stock Exchange Council	Berlin Stock Exchange, Berlin
Chairman of the Board	Federal Association of Financial Intermediaries on the German Stock Exchanges, Berlin and Frankfurt am Main
Member of the Advisory Board	Industrie und Handelsunion, Dr. Wolfgang Boettger GmbH und Co. KG, Berlin
	Deutsch-Asiatischer Wirtschaftskreis e. V., Frankfurt am Main

Wolfgang Hermanni, Berlin

occupation held: businessman

Other positions:

Chairman of the Supervisory Board	EuroChange AG, Berlin
Member of the Supervisory Board	Berliner Effektengesellschaft AG, Berlin

Dr. Andor Koritz, Berlin (Deputy Chairman)

occupation held: lawyer

Other positions:

Member of the Supervisory Board	Berliner Effektengesellschaft AG, Berlin
	quirin bank AG, Berlin
	quirin business support AG, Leipzig



■ **Remuneration of corporate bodies**

The members of the board of Tradegate AG Wertpapierhandelsbank received remuneration of € 1,116,000.00 of which € 126,000.00 was accounted for by benefits in kind from the stock option scheme 2005 and from group accident insurance. The supervisory board received remuneration of € 27,000 including value-added tax.

■ **Proposal on the allocation of the unappropriated profits**

The total declared profit of the previous year, € 3,622,500.00, was distributed based on a resolution passed at the Annual General Meeting. At this year's Annual General Meeting, the board of management will suggest distributing € 5,313,000.00 of the accumulated profit of the year 2007 as a dividend. This is equal to a dividend of € 0.22 per share.

Berlin, 11 February 2008

Tradegate AG Wertpapierhandelsbank

Thorsten Commichau Jörg Hartmann Klaus-Gerd Kleversaat Kerstin Timm Holger Timm



MANAGEMENT REPORT OF THE TRADEGATE AG WERTPAPIERHANDELSBANK FOR THE YEAR ENDED 31 DECEMBER 2007

1. Foreword

The structure of the management report primarily follows the rules adopted by the German Accounting Standards Committee e.V. and recorded in the German Accounting Standard 15.

2. Business and strategy

2.1 Organisation and business areas

The company is authorised by the Federal Financial Supervisory Authority (BaFin) to carry out business as:
 Investment agent (Article 1 Para. 1a Section 2 No. 1 KWG [German Banking Act])
 Acquisition agent (Article 1 Para. 1a Section 2 No. 2 KWG)
 Own-account trader for others (Article 1 Para. 1a Section 2 No. 4 KWG)

The permit includes the right to trade with financial instruments for own account.

On 21 July 2003 authorisation was extended to include the following business areas:
 Financial commission business (Article 1 Para. 1 Section 2 No. 4 KWG)
 Investment banking (Article 1 Para. 1 Section 2 No. 10 KWG).

The company has not yet activated the investment banking business.

With effect from 1 January 2008 the company is also authorised to operate the following:
 lendings business (Article 1 Para. 1 Section 2 No. 1 KWG)
 deposit banking (Article 1 Para. 1 Section 2 No. 2 KWG)
 custody business (Article 1 Para. 1 Section 2 No. 5 KWG)
 giro operations (Article 1 Para. 1 Section 2 No. 9 KWG)

For the purpose of operating its business the company acts as order book manager on the Frankfurt and Berlin stock exchanges, has further admissions to listing on the stock exchanges in Munich, Stuttgart, Düsseldorf and Vienna, is designated sponsor on XETRA® and, as an additional focus, runs its own off-market trading platform TRADEGATE®.

The company considers itself to be a so-called liquidity provider or market maker and provides continuous bid and ask prices for around 10,700 categories of security, mainly in shares. Insofar as the company carries out its function as order book manager on the Frankfurt and Berlin stock exchanges it accrues a fee for turnovers, known as the broker's commission. A significant source of earnings is, however, the financial result which arises from the calculated spread between the purchase and selling of a position. On our own trading platform, TRADEGATE®, and on electronic exchanges or markets such as XETRA® no broker's commission is due and earnings are determined by the financial result arising from purchases and sales. Since the business is driven by volume the company tries to reach as many customers as possible with its prices. Mid or long term risk positions in proprietary trading are not scheduled and are not part of the business concept. Long-term own holdings are, therefore, always exclusively part of the liquidity management of the company and reserved for the managing board.

The management, all administrative areas and the main operative areas are based at the headquarters of the company in Berlin. In Frankfurt am Main the company maintains a technically and personnel equipped branch office to serve the locally based order book management at the Frankfurt Stock Exchange.



Because of the continually increasing importance of computer supported trading a focal point of the company lies in the departments IT-Operations and IT-Development. The company is largely self-sufficient and attaches particular importance to the development of its own programmes for the areas of trading, trading settlement and risk control.

The management of the company comprises four board members, two of whom are responsible for the operative business areas including the management of the branch in Frankfurt. A further board member takes care of the areas IT-Development and IT-Operations. The speaker of the board is chiefly responsible for strategic planning and coordination as well as the administrative areas such as organisation, back-office, middle-office, personnel, compliance and law, revision and money laundering, and accounting including controlling and regulatory reporting.

Since authorisation had been extended to include the lendings business and deposit banking, the board and the supervisory board decided to increase the managing board by one member. As a universal bank the managing board now has five members.

2.2 Competitive position and general conditions

The company belongs to the few brokerage firms that, after several years of market consolidation, have prevailed successfully and now dominate trading as order book managers on the German stock markets. However, in the area of order book management the company has refrained from increasing its market presence by taking over smaller companies. The main reason, apart from the risk involved, is the current practice of allocation of order books by the regional stock exchanges in which each order book is assigned to a brokerage firm only temporarily. In the opinion of the managing board, the currently managed order books do not, therefore, represent any binding value that can be capitalised on for the balance sheet. It is also still unclear which market models the German stock exchanges will adopt midterm with regard to the new laws implemented in 2007. The Berlin Stock Exchange has announced that in 2008 emphasis will be put on its newly purchased electronic trading platform (Equiduct). To what extent and whether trading by order book will be maintained has not yet been decided. The Frankfurt Stock Exchange will also begin to transfer products from the area of order book management to a technically and conceptually adapted electronic platform (XETRA Release 9) in 2008. It was obviously the right decision that in past years the company, alongside order book management, in its long term strategic plan focused predominantly on electronic trading platforms, and invested in new trading and settlement software to lower the process costs of largely automated services. In order to avoid dependence on monopoly-like European exchange structures emphasis is placed on the development of the company's own off-exchange information and trading platform, TRADEGATE®. Upon the implementation of MiFID (Markets in Financial Instruments Directive) on 1.11.2007 an application was made for TRADEGATE® as so called MTF (Multilateral Trading Facility) and trading was extended to France for the first time. It can be assumed that in Europe MTFs will become increasingly important in the next few years because, due to the new laws, they have been up-valued considerably. At the moment there is no other significant competitor in Germany operating an MTF for trading shares.

2.3 Goals and strategies

The company aims to further develop its own trading system and to win more customers. The company's products (bid and ask prices) are of excellent quality and meet with high approval from connected customers. With its products the company offers not only high quality but also significant cost advantages in the settlement of transactions and, especially due to its own platform, is capable of providing services outside the usual market trading hours.



Besides operating TRADEGATE® the company will remain active on national and international stock exchanges as liquidity provider or normal market participant.

The authorisation as universal bank affords the company in the medium term further possibilities to optimise business with existing customers. The year 2008 will be used to prepare the infrastructure for activities as a universal bank.

The IPO (Initial Public Offering) carried out in 2006 on the Entry Standard of the Frankfurt Stock Exchange, together with the change of name, have contributed to the increase in the awareness level of the company. The steady price development of the past year and the achieved market capitalisation allow the company to make capital increases through contributions in kind if necessary.

The company remains closely involved in the affiliated group of the parent company Berliner Effektengesellschaft AG in Berlin, with numerous potential synergies and complementary services between the various group companies.

2.4 Business development and the development of general conditions

During the reporting period the company slightly increased the number of managed order books at the exchanges in Berlin and Frankfurt by new listings from 11,691 to 12,219 categories of securities. The emphasis of new listings and existing securities remains on corporations from all over the world with occasional international bonds included. Most securities managed in the order book are second-line stocks and less liquid securities. Against this, the company currently trades about 1,300 categories of securities on TRADEGATE®, the majority of which are national and international, very liquid index values. At the moment, therefore, there is no significant overlap between the two business areas. An important indicator for business development is the number of individual securities transactions. The year 2007 shows an interesting picture. The total number of transactions rose by about 17.2 %, from 3,799,081 to 4,453,614. This increase is thanks only to our own trading platform TRADEGATE®, which was able to increase business by 117 % from 734,646 transactions in 2006 to 1,597,381 in 2007. The number of stock exchange contract notes resulting from the order books in Frankfurt and Berlin dropped slightly from 3,064,354 to 2,856,333. This shows that even in years with no general growth, the company is in a position to increase its business through winning new customers for its own trading platform.

Once again in the last business year, there was no even distribution of transactions over individual months. This makes the informational value of a prognosis for the next year difficult. Fortunately, only the month of September produced a notably weak turnover in relation to its number of working days.

The number of employees remained relatively constant. 15 new employees were set off by 11 leavers or transfers within the group, so that the total number of 79 employees at the end of the year – compared with 75 last year – represents only a slight change. The age structure has not changed much either. The average age lies at about 36.5 (last year 35.6) with the emphasis on the age group from 31 to 35. The average job tenure is 6.4 years (last year 6.0 years). The company attaches great importance to retaining well-trained and qualified employees even during less profitable times. The flexible increase or reduction of personnel according to the amount of business, e.g. using temporary employees, 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.



In the past business year large investments were made, particularly for the upgrading, extension or renewal of the existing IT-systems. Software is usually developed and maintained by company employees. The personnel costs involved are not such that they can be capitalised. Occasionally individual contracts for work are outsourced and, depending on size, can be capitalised. In the areas of networks, data banks, word processing, etc. standard software from large providers is used.

The total portion of costs for administration and maintenance, just to comply with all stock market and legal regulations, is very high. The company has, however, managed to establish efficient and practicable structures that are suitable for its size.

In view of the continued less than perfect general conditions, the outcome of normal business activities with a profit of € 6,246,000.00 and an increase of 31 % is to be seen positively.

3. Development of results

The important positions in the financial statement are the net commission income and the result from financial transactions. The development of these components is the main deciding factor for the development of the results. Last year the net commission income dropped from € 1,480,000.00 to € 198,000.00. The reason for this decline is the sharp increase in the costs contained in the net commission income for the settlement of securities transactions. These costs rose from € 2,281,000.00 to € 4,076,000.00. This increase reflects the higher trading volume on our own trading platform TRADEGATE®. Broker's fees, which rose by € 224,000.00, were not able to cover the increase in costs. The positive development of the result from financial transactions, the balance of earnings and expenses from financial transactions, continued in the last business year. Compared with the previous year, the result from financial transactions is increasingly due to the results of transactions on TRADEGATE®. Positive market development and acquisition of new customers for our trading platform increased the utilisation of TRADEGATE®. The net balance from name-to-follow transactions fell by 4.9 %. In accordance with the significance of off-market trading, the realised net result from securities trading, and the balance of realised profits and realised losses, was, at € 8,678,000.00, significantly higher than last year (€ 3,447,000.00). The valuation result of security holdings developed negatively from € -241,000.00 to € -459,000.00. The general administration expenses increased last year by € 1,511,000.00. In proportion to this result a pool is created for bonuses and special payments. The increase in the result was accompanied by a boost in the payout of bonuses to employees. Other administration expenses were caused partly by stronger price increases. The extended trading activity brought about higher costs for the use of stock exchange systems which are oriented to the number of transactions made. At the same time higher prices had to be paid to stock market news and price providers. Following constant reduction in previous years, this year write-offs on intangible and fixed assets increased, mainly due to investment in new IT-equipment. The report on the tax audit of the assessment period 2000 – 2002 led to tax payments and interest almost equal to the provisions made last year. Under taxable possible utilisation of the loss brought forward, provisions for taxation were made to the amount of € 527,000.00. Balanced out, the tax expenses come to € 1,629,000.00.



Income Statement	in '000 € 2005	in '000 € 2006	in '000 € 2007
Interest profits	486	557	895
Interest expenses	- 2	-	-
Current profits	158	210	113
Commissions received	5,561	8,312	8,338
Commissions paid	- 4,318	- 6,832	- 8,536
Profit from financial transactions	22,980	42,848	72,895
Expenses of financial transactions	- 15,059	- 29,777	- 55,387
Other operating profits	1,121	515	816
Profits from the release of special items partly with reserve character	-	-	-
General administrative expenses	- 8,889	- 10,638	- 12,148
Write-offs and value adjustments on intangible assets and tangible fixed assets	- 357	- 309	- 330
Other operating expenses	- 67	- 128	- 68
Write-offs and value adjustments on receivables and certain securities	- 19	-	- 92
Profits from write-ups on receivables and certain securities	-	15	-
Write-offs and value adjustments on participatory investments, stocks in affiliated companies and securities treated as fixed assets	-	-	- 250
Result from ordinary activities	1,595	4,773	6,246
Income and profit taxes	- 137	- 1,035	- 1,629
Other taxes, unless recorded under other operating expenses	-	-	-
Net profit/loss	1,458	3,738	4,617



From the development of results the following operating figures can be derived:

- Cost income ratio (CIR), defined as a percentage: the sum of general administrative expenses and write-offs on intangible and tangible assets divided by gross earnings
- Return on equity (ROE), defined as a percentage: net profit for the year divided by equity capital
- Earnings per share (EpS), defined as a percentage: net profit for the year divided by the number of shares

	2005	2006	2007
CIR	94.3%	71.5%	68.1%
ROE	4.01%	9.14%	11.02%
EpS	0.063€	0.155€	0.191€



4. Development of financial position

The liabilities of the company are relatively low.

The liabilities are mainly made up of € 610,000.00 for the delivery commitment of securities and € 458,000.00 for the utilisation of settlement services. Further positions include the open clearing amounts resulting from stock market trading which are reported under liabilities to banks and customers. Alongside this there are liabilities from the area of business operations in the form of deliveries and services. These include accruals for services used, for which an invoice has not yet been issued at the balance sheet date but for which the amount is known from contracts. The largest position in provisions and accruals is the provision for taxation of € 538,000.00. The equity ratio changed slightly from 89 % to 92 %.

All liabilities due within one month stand against the much higher amounts deposited with banks which are also due in one month. Shares in funds to the book value of € 11,944,000.00 are available as cash reserves.

Liabilities	in '000 € 31.12.2005	in '000 € 31.12.2006	in '000 € 31.12.2007
Liabilities to banks	566	2,935	1,078
Liabilities to customers	254	248	148
Other liabilities	1,258	278	825
Prepaid and deferred expenses	-	39	80
Provisions and accruals	669	1,598	1,682
Equity capital	36,316	40,904	41,898
Total liabilities	39,063	46,002	45,711



5. Development of net assets position

The net assets position of the Tradegate AG Wertpapierhandelsbank is marked by relatively high liquidity. Alongside the assets in securities in the liquidity reserve the receivables from banks represent the largest position on the assets side. Of the shares and other non-fixed interest securities € 10,000,000.00 is invested in the BEG Fund 1 which follows a conservative investment strategy. The fund retains the achieved results and on 31 December 2007 built reserves accordingly. A further € 1,944,000.00 is invested in an equity fund as liquidity reserve. Fifty percent of an investment of € 500,000.00, made in 2007, was written off during the business year. The development of the last three years is shown in the following table.

Assets	in '000 € 31.12.2005	in '000 € 31.12.2006	in '000 € 31.12.2007
Cash reserve	-	-	-
Receivables from banks	23,668	27,179	27,737
Receivables from customers	225	457	324
Bonds and other fixed-interest securities	2,949	333	323
Shares and other non fixed-interest securities	11,240	16,893	15,909
Investments	-	-	250
Own shares	-	-	37
Intangible assets	133	245	229
Tangible fixed assets	638	507	533
Other current assets	174	350	365
Prepaid and deferred expenses	36	38	4
Total assets	39,063	46,002	45,711

The structure of the assets is also influenced and limited by bank supervisory regulations, particularly through the rules and regulations on large exposure under the German banking law, and the relation of weighted risk assets to the liable equity capital.

To summarise, it can be said that the development in the last business year was positive and the company finds itself in a satisfactory position.



6. Supplementary report

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

7. Risk report

7.1 Institutional supervision, statutory reporting requirements

Due to the authorisation which allows the company to provide banking and financial services in accordance with Article 1 Para. 1 Nos. 4 and 10, and 1a Nos. 1.2 and 4 of the German Banking Act, the Tradegate AG Wertpapierhandelsbank is subject to supervision by the Federal Financial Supervisory Authority. Accordingly, every month an interim return, a profit and loss statement, calculations for the Solvency Regulation and Liquidity Regulation and quarterly reports on any large loans and loans in millions must be submitted. If any unusual events occur, these are to be reported separately. By virtue of its authorisation to carry out certain types of banking business, the company is duty bound to support an internal audit according to the minimum requirements for risk management.

In accordance with part 5 of the Solvency Regulation certain information on the risk management system and the Solvency Regulation must be disclosed. The Tradegate AG Wertpapierhandelsbank fulfils this requirement in the form of a management report as part of the annual financial statements.

The financial holding group Berliner Effektengesellschaft AG must adhere to the group-level regulations of the Solvency Regulation which govern consolidated monthly reports and large loans from institutional groups. The Tradegate AG Wertpapierhandelsbank is by law the highest-level company in the financial holding group. The regulatory group basically comprises all companies that are included in the group financial statements according to commercial law. In accordance with the German Banking Act, only group companies that fall under the category "other companies" and separate assets should not be incorporated into the summary. The companies Ex-tra Sportwetten AG, Vienna and BEG Fonds 1 in Berlin, which are included in the group accounts within the scope of a full consolidation, are not contained in the summary for the financial holding group Berliner Effektengesellschaft AG. No regulatory deduction of the book value is made in the summary. The quirin bank AG and its subsidiaries are, according to commercial law, included in the group accounts at equity. For the purpose of regulatory reporting it only represents a shareholding of the Berliner Effektengesellschaft AG. The quirin bank AG is an independent group and itself subject to reporting rules.

With regard to the Solvency and Liquidity Regulations the reference figures for the company always fulfilled minimum requirements without any problem. The total key reference figures of the Solvency Regulation lay between 59.6 and 82.8. For current business activities the Solvency Regulation reference figure is not the decisive element for the provision of own capital. Here, the requirements of the stock markets play a more important role, so, in relation to the underlying risk assets, the company is well equipped with capital resources. In accordance with the business plan, part of the resources is to be reserved for the future operation of the lendings business. The company uses the standard financial risk approach, the standard approach for market risk positions and the basic indicator approach for operational risks.



The capital resources of the financial holding group are made up of the subscribed stock of the Berliner Effektengesellschaft AG, its capital reserves and other reserves, insofar as they are not reduced within the scope of a capital consolidation. Own shares, debit differences from the capital consolidation and intangible assets are deducted from this. Only software is considered as intangible assets. The group's capital resources consist exclusively of core capital. As at 31 December 2007 the capital resources are as follows:

Description	Amount in '000 € 31 · 12 · 2007
Paid-in capital	16,710
Own shares	- 37
Capital reserves	41,418
Other reserves	405
Minority interests	2,204
Debit difference	- 2,020
Intangible assets	- 336
Core capital	58,344

The report for the financial holding group Berliner Effektengesellschaft AG was made according to Principle I. From January to December 2007 the total key reference figures lay between 152.6 % and 188.6 %. The report for 31 March 2008 will be submitted according to the rules of the Solvency Regulation.



7.2 Risk management policy and strategy

Tradegate AG Wertpapierhandelsbank is active in a field that is subject both to dramatic fluctuations regarding the amount of business and to changes in general conditions. In this environment it is necessary to continuously develop the means to manage, monitor and control the relevant risks. With the minimum requirements for risk management (MaRisk) a strict legal framework for monitoring and control mechanisms and their documentation is in place. In principle, risk is understood to be the negative difference between actual incidents and expected incidents. Damage is then the occurrence of a risk with negative consequences. As the company sees itself as a liquidity provider or, as the case may be, a market maker the build up and assumption of securities positions with expectations of a positive market price development is not company strategy. Rather the business activity is geared towards enabling as many dealings in securities as possible. In doing so, during the course of a day the company assumes an interim position as buyer or seller with the aim largely of continuing to trade these positions up to the close of trading. The number of positions that are held until the start of trading on the next day is small compared with the trading volume. If any one position worthy of note is held open, then this happens strictly within the scope of investments in liquid assets. The development on the German and European stock exchange scene is an important influencing factor for business activity and the connected technical development and surrounding conditions. Trends are watched at an early stage for any possible impact on the company's field of business and for technical necessities. Wrong decisions can lead especially to high costs, loss of earnings and delays. As regards further activity in exchange trading an eye must be kept on the continued shift towards electronic trading systems and its effects. Particular strategic importance must be attached to the future form of the stock exchange floor in Germany, to the trading system XETRA® and the European development following the coming into effect of MiFID.

The basis of the risk management system is the classification of risks into market price risk, operational risk, counterparty default risk and liquidity risk. 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 basis of the limit system is the anticipated result of the business year including the current total amount of capital and reserves and the effective result of the business year. An upper loss limit was decided for 2007 which was not exceeded during the course of the year.



7.3 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. Since one focal point of business activities lies in the trading and relaying of transactions of shares in foreign companies, especially US-American stocks, 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, the risk arising from securities transactions is considered to be implicit in the share price risk.

Last year the controlling limits were monitored successfully. On the basis of the expected results for 2007 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 2007 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 company, a decision is made on the retention or change of the limit alignment. In 2007 no adjustments were made to the control limits for securities trading.

In addition, there is a limit especially for the risks coming from assets in the liquidity reserve. 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 is informed immediately and then decides on the further handling of the securities in the liquidity reserve.

A further controlling limit exists for receivables and liabilities not in € against banks, customers and suppliers. The risks at domestic banks from deposits in South African rand and US dollars are to be noted in particular. No limits were exceeded here. Currency swaps for the management of currency risk were not used last year. If limits are exceeded, the board members responsible for controlling and trading are informed and they then decide on a course of action.



7.4 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.

The existing risk matrix was reassessed for risks, early warning indicators and possible counter measures. If there were any new values the early warning indicators in the risk matrix were renewed or adjusted. In order to get an overview of any damages occurring, employees were required to report to risk control the cases of damages that exceeded a defined minimum limit. The damages arising were due to increased manpower and rated as minimal. Additionally, in the area of IT-operations a list of system changes, faults and failures is kept. Last year there were no significant faults which caused definable or noteworthy damages. In 2007 the Compensatory Fund of Securities Trading Companies (EdW) raised special charges in the liability case (Phoenix Kapitaldienst GmbH). It is presumed that the charges only cover a small part of the total damages, so further charges can be expected in the years to come. With the extension of its permit to include the lendings business and deposit banking, the Tradegate AG Wertpapierhandelsbank becomes a member of the deposit insurance fund of the banking industry. The membership of the EdW thus lapsed on 1 January 2008, so that no further special charges can be made to the company.

The management of operational risks is the responsibility of each department head. They monitor the work processes and, if necessary, make interventions or adjustments. A special limit was not set. As only 15 % of directly specified risks were allotted to the upper loss limit decided by the managing board at the beginning of the year, the undistributed amount is drawn on across the board to cover those risks not limited separately.

7.5 Other risks

The other risks include counterparty default risks and liquidity risks. The counterparty default risk is the danger that liabilities are fulfilled either too late, incompletely or not at all. The Tradegate AG Wertpapierhandelsbank has predominantly receivables from banks. The most important bank connection, where a large part of the investments in liquidity funds are made, is with the quirin bank AG. Following the withdrawal of a declaration, the deposits made here are now subject to deposit insurance. Since, within the scope of its associated relation to the group, the quirin bank AG is still integrated into the monthly reports, and because Mr. Timm is a member of the supervisory board of the bank, sufficient realtime information on the economic situation is always available. Further accounts exist at other domestic banks and at one foreign bank. Apart from these bank accounts, which are used for payment transactions and cash deposits, receivables from tax repayments exist along with receivables from other brokers for securities transactions. As these are regulated by the stock exchange systems, and the market participants are subject to supervision by the stock exchanges and the Federal Financial Supervisory Authority, the risks here are considered to be low.



We consider the risk that a counterparty of an off-exchange securities trading transaction does not fulfil his duties of payment or delivery to be a peculiarity of counterparty default. Damages from the risk of settlement of securities trading transactions did not arise.

In order to minimise counterparty default, all transactions with addresses which do not have admission to a German, west European or American stock exchange are subject to separate supervision directly by the board of management. This applies mostly to east European trading addresses.

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. Control of solvency occurs within a plan of payments received and payments outgoing over the following twelve months. The first quarter is reported on a monthly basis, thereafter reports are made on a quarterly basis. If there are certain shortfalls, reports are made more often than usual. In the last year there were no shortfalls of these self-imposed limits. Additionally, the Tradegate AG Wertpapierhandelsbank is subject to the terms of the Liquidity Regulation, which sets certain minimum requirements with relation to capital and financial liabilities. Last year's reference numbers moved between 6.12 and 18.72, the minimum figure being 1. The market liquidity risk is controlled and monitored through the choice of where to trade, consideration of the current market situation when completing transactions and the limitation of open positions.

7.6 Reporting

The whole board of management receives a daily risk report which contains the realised results of the last day of trading, the current month and the current year, as well as information on limit adjustments and special issues, such as significant exceedance of limits and unusual transactions as regards business partners, volume or conditions. Information on other significant risks to the company is also included in the report. Particularly data on cases of damage from operational risks, specific incidents and steps undertaken is recorded. This risk report complements the monthly report supplied to the managing board on economic development. Apart from the balance sheet and profit and loss statement, the latter contains employee statistics, the development of securities transactions and some key business figures. At the moment the board of management receives a detailed quarterly summary of the company's payment reserves. In order to increase the transparency of general administration expenses the managing board and department heads are provided with a report on the costs allocated to each area. Any questions and necessary measures are discussed in meetings. Besides increased transparency, the aim is to encourage the awareness of those responsible.



8. Declaration according to § 312 of the Companies Act

According to § 312 of the Companies Act the board of management of the Tradegate AG Wertpapierhandelsbank must deliver a report on the relations with affiliated companies for the business year 2007. The closing statement of this report reads:

“Beyond the aforementioned legal transactions and measures, no other legal transactions were made in the reporting period and no measures are known of for which a report must be submitted.

According to § 312 of the Companies Act the board of management of the Tradegate AG Wertpapierhandelsbank, Berlin, declares that for all transactions with the prevailing corporation and its affiliated businesses the company has received appropriate service in return.”

9. Outlook

The company assumes that in the next years no significant increase in securities transactions is to be expected. On the other hand, it is feasible that in 2008 the number of transactions on TRADEGATE® can be increased through acquiring new customers and extending the product range. However, the growth curve (increase in 2007 of 117 %) will probably flatten out. Since the change in 2007 to the legal framework (MiFID) is likely to intensify competition for market share, at least a temporary reduction in the profit margin cannot be ruled out. For this reason the company will give high priority to expanding on its already good starting position and, if necessary, take into account a loss of profits in return for an increase in market share. Nonetheless, the company is aiming for a moderate increase in profits for the current business year.

On the costs side the company has almost no scope to reduce costs; rather it is subject to heavy price increases by suppliers or supplementary service providers. On the personnel side a moderate increase in basic salaries is to be reckoned with. If business develops positively a moderate increase in the number of employees is also to be expected. Cost savings might only be possible in the area of securities settlement through optimising processes.

The implementation of the permit for universal banking leads to higher administration costs and an increase in the costs of supervision by the supervisory authorities (BaFin). On the other hand, the company does not have to make provisions for the Phoenix liability case because it withdrew from the Compensatory Fund of Securities Trading Companies (EdW) with effect from 1.1.2008. The forthcoming changes on the German and European stock exchanges continue to be of importance for the company, although at the moment it is not yet clear what structures will finally emerge. The company is represented in all important committees and associations and will watch all developments closely and, if need be, actively participate on behalf of the company. The new European legal guidelines (MiFID) open up new business potential outside Germany for the company and its trading platform TRADEGATE®. On the grounds of already established and growing business relations France, in particular, represents a promising growth market.

Berlin, 11 February 2008

Thorsten Commichau Jörg Hartmann Klaus-Gerd Kleversaat Kerstin Timm Holger Timm



In the German version of the annual report the auditors' report is printed here. This report confirms the unreserved validation by the PwC Deutsche Revision AG Wirtschaftsprüfungsgesellschaft, Berlin, of the annual financial statements of the Tradegate AG Wertpapierhandelsbank.



Ladies and Gentlemen,

In 2007 the Supervisory Board dutifully performed the tasks incumbent upon it by law, the company's statutes and rules of procedure. It acted as advisor to the Managing Board of the company in directing the business and supervised it in managing its business dealings. To this purpose the Managing Board reported promptly and in detail, in written and spoken form, in particular on all questions pertaining to business plans, business development, strategic orientation and risk position including risk management. Moreover, besides attending the supervisory board meetings, the Chairman of the Supervisory Board was in regular contact with the Managing Board.

All matters requiring authorisation were examined in detail by the Supervisory Board and then approved. The Supervisory Board, which comprises three members, did not form any other supervisory board committees.

■ Supervisory Board tasks / meetings

In order to fulfil its tasks the Supervisory Board convened regularly in 2007 for a total of four Supervisory Board Meetings in the months of February, June, September and December. All members of the Supervisory Board and the Managing Board regularly took part in the meetings.

The main subjects in the reporting year were the marketing activities to be undertaken to win further customers for the trading platform TRADEGATE®, and the intention to apply to the Federal Financial Supervisory Authority (BaFin) for a permit for Tradegate AG as a universal bank. The Managing Board submitted a strategic concept for this to the Supervisory Board. The Supervisory Board agreed to the concept unanimously. The application, made in December, was approved by the BaFin before the end of the reporting year.

The Managing Board submitted conditions for an employee share option scheme, to which the Supervisory Board gave its unanimous approval. Hence the Supervisory Board allocated a total of 500,000 options in the reporting year.



In conjunction with the implementation of the requirements of the Minimum Requirements for Risk Management (MaRisk), the business and risk strategy of the company were revised during the year 2007 and submitted and discussed with the Supervisory Board in the meeting on 12 December 2007. The Supervisory Board agreed unanimously to the revised version.

The members of the Supervisory Board made sure that the Managing Board of the company takes suitable measures and maintains a monitoring system whereby any developments endangering the continuity of the company can be recognised at an early stage (Article 91, Section 2 of the Companies Act). The company has an efficient controlling system at its disposal and produces conclusive monthly development reports.

The monitoring of risks, in particular the day-to-day supervision of risks from the change in share prices was further improved. The Supervisory Board was informed by the Managing Board of the results of the internal audit report. According to this report no particular risks or complaints arose. In the opinion of the Supervisory Board the existing risk control system fulfils legal requirements and is qualified to enable the real-time monitoring of the company.

The audit for 2007 according to Article 36 Section 1 of the Securities Trade Act was carried out by Dohm Schmidt Janka Revision und Treuhand AG, Berlin. The audit report was given to the members of the Supervisory Board.

In accordance with Article 312 of the Companies Act the Managing Board composed an additional report on business relations with affiliated companies. This report, together with the audit report compiled by the auditor, was submitted to the Supervisory Board. The auditor, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Berlin, checked the report and awarded it the following auditor's certificate:

In the German version of the annual report, the auditor's certificate for the report on business relations with affiliated companies is printed here.



Within its own examination of the report on business relations with affiliated companies, the Supervisory Board determined that there were no objections to be raised and concurred with the auditor's conclusion.

■ **Annual financial statements 2007**

The annual financial statements compiled by the Managing Board for the business year 2007, including the accounting and management reports, were examined by the external auditors PriceWaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Berlin, and were certified without reservation as follows:

In the German version of the annual report, the auditor's certificate for the annual financial statements of the Tradegate AG Wertpapierhandelsbank is printed here.

The Supervisory Board also verified the annual financial statements and the report of the Managing Board including its proposal for profit distribution. The auditor participated in the consultations on the financial statements. Based on its own examination the Supervisory Board concurred with the auditor's conclusion of the examination of the financial statements.

Following the final conclusion of the examination the Supervisory Board raised no objections and approved the financial statements compiled by the Managing Board. The financial statements were thus endorsed. The Supervisory Board agreed with the Managing Board's proposal for the use of the net profit for the year of € 5,313,000.00.



■ Changes in the Managing Board

Mr. Thorsten Commichau, between 1 January and 31 December 2006 Chief Representative responsible for IT-Development and further development of the trading platform, was appointed the fourth member of the Managing Board with effect from 1 January 2007. He remains responsible for these business areas.

In the Supervisory Board meeting of 12 December 2007 Mr. Klaus-Gerd Kleversaat, Member of the Board of the quirin bank AG, was appointed as fifth member of the Managing Board with effect from 1 January 2008.

The Supervisory Board would like to thank the Managing Board and all employees for their great personal commitment and hard work during the year 2007.

Berlin, 3 March 2008



Professor Dr. Jörg Franke
Chairman of the Supervisory Board



