



TRADEGATE AG

WERTPAPIERHANDELSBANK

Annual Report 2008

Seite versenden

Neuigkeiten bei TRADEGATE

FRX

GLX

	Bid	Ask	Trades	Change
	6,20	6,25	1 045	+0,32%
			809	-1,19%
				+2,71%

Marktindikatoren

GSX	+3,02%	723,87
USX	-0,44%	873,43
FRX	+2,44%	708,39
GLX	+0,45%	829,28

Top-Titel

Commerzbank AG	Bid: 6,20 Ask: 6,25	1 045 Trades
Deutsche Telekom AG	Bid: 8,15 Ask: 8,20	809 Trades
Infinion Technologies AG	Bid: 2,33 Ask: 2,36	619 Trades
Citigroup Inc.	Bid: 2,71 Ask: 2,76	



TRADEGATE AG
WERTPAPIERHANDELSBANK

TRADEGATE AG WERTPAPIERHANDELSBANK

WKN 521690, ISIN DE0005216907

31 December 2008

Capital stock	24,150,000 € = 24,150,000 individual shares
Berliner Effektengesellschaft AG	95.90 % = 23,170,363 individual shares
Free Float	4.10 % = 979,637 individual shares
Balance sheet total	44,562,434.88 €
Net assets	38,724,607.07 €
Stock price at the end of the year	4.21 €
Result per share	0.088 €
Proposed dividend	0.45 €
Number of employees	77



	PREFACE	04
	REPORT OF THE BOARD	06
	Securities Transactions	07
	Share price development	08
	ANNUAL FINANCIAL STATEMENTS OF THE TRADEGATE AG WERTPAPIERHANDELSBANK	12
	Assets	12
	Equity and liabilities	13
	Income statement	14
	Notes to the financial statements 2008	16
	Management Report	30
	Auditors' report	43
	REPORT OF THE SUPERVISORY BOARD	44
	CONTACT IMPRESSUM	47



DEAR SHAREHOLDERS, BUSINESS PARTNERS AND FRIENDS OF EXCHANGE AND ONLINE SECURITIES TRADING,

There is a saying which goes, "If you've nothing positive to say, say nothing." Despite the atmosphere of doom and gloom across the whole financial industry, we are pleased to be able to follow this advice and report at least one or two positive aspects in our summary for the business year 2008.

Of course we cannot and do not intend to play down the seriousness of the current economic environment; no-one can deny the truth of what the Federal Ministry of Economics and Technology stated in its status report for 2009, "The German economy faces its greatest test of durability since reunification." We are feeling the effects just as much as our business partners and competitors. However, contrary to the highly specialised businesses prevalent in the financial industry, which achieve their earnings almost exclusively through order book management on the German regional stock exchanges, our company began diversification as early as 2001 by introducing its own trading platform TRADEGATE®. Today, we are already benefiting from this development as the growth in the number of transactions on TRADEGATE® compensates for the loss in revenue from stock exchange trading.

In defiance of the general market situation we did not have to announce losses to the tune of millions in 2008; quite the opposite – we recorded a positive result. The value of our MTF (multilateral trading facility) TRADEGATE® has increased in terms of the technical system and its regulatory status resulting in a considerable growth in sales. The increase of 44 % in the number of transactions on TRADEGATE® vs. last year is in fact much higher in relative terms when one considers the drop of 66 % in exchange trading over the same period. Here we would like to take the opportunity to thank all our business partners and loyal private investors for making this success possible. We are convinced that we made the right decisions at the right time and are well equipped for the future.



Some people claim that optimism is due to a lack of information. In view of the never ending bad news coming from banks, our prognosis for the year 2009 can only be mildly confident. The high number of securities transactions at the end of 2008 was due to the imminent introduction of the new withholding tax and had a detrimental effect on turnover at the beginning of 2009. Coupled with the loss of trust in the financial industry, there is little hope of an improvement on the markets in the short term. On the other hand, the financial crisis has caused investors to return to straightforward, understandable products. We intend to expand the range of such products on TRADEGATE® thus laying the cornerstone for more growth in 2009. Furthermore, the MiFID directive (Markets in Financial Instruments Directive) is gradually becoming more accepted on the markets and the trend towards alternative trading places such as our own MTF TRADEGATE® has just started in Europe. Despite all uncertainties we consider it possible to continue the success of our business, even in a critical market situation. As Ernest Hemingway said, "The strange thing about the future is that one will look back and call our times the 'good old days'."

HOLGER TIMM

KERSTIN TIMM

JÖRG HARTMANN

KLAUS-GERD KLEVERSAAT

THORSTEN COMMICHAU

REPORT OF THE BOARD FOR THE YEAR 2008

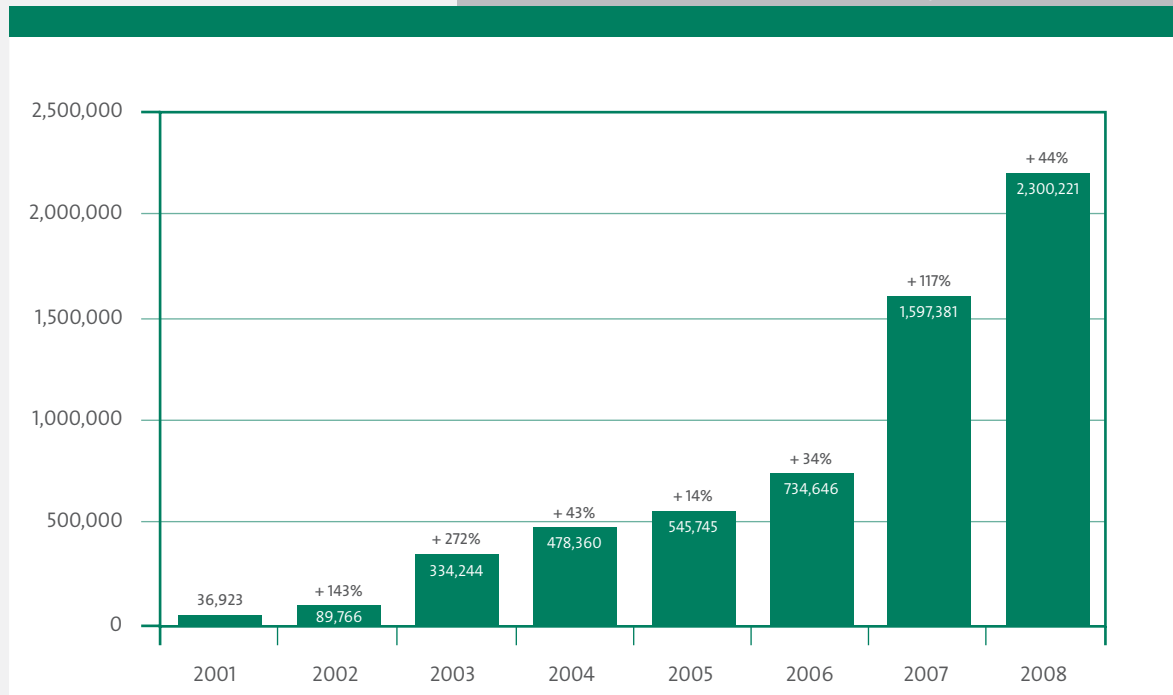
Due to the continuing crisis on the financial markets the business development in 2008 was particularly erratic. After a good start in January, there was a considerable fall in the number of orders which did not pick up until well after the traditionally weak summer months. Thanks to its risk-averse business policy Tradegate AG Wertpapierhandelsbank was in no way directly affected by the collapse of the derivative industry, but the accompanying loss of trust on the part of private investors led to an overall less profitable result in business.

The economic viability of the whole group shows particular strength in periods of low turnover. If our company had not expanded its traditional business of order book management by introducing additional activities at an early stage, 2008 would have ended with a considerable deficit. The drastic fall in turnover of up to 70 % on the regional stock exchanges along with the fall in prices of traded securities and a reduction in the average order size led to a profit of almost nil from order book management. The broker's fees of between 0.004 and 0.008 percent earned from trades on the trading floor are no longer sufficient to adequately offset the trading risks caused by the ever narrower margin between bid and ask prices.

The fact that our company was still able to achieve a result of € 2.969 million from normal business activities was due primarily to two factors. Firstly, in the last quarter of 2008 there was an unusually large increase of transactions on the share markets – no doubt aided by the imminent introduction of the new withholding tax on 1 January 2009 and to the detriment of future business periods. Secondly, the company's strategy proved once again to be appropriate – offering private investors an alternative to the traditional trading floor by providing specialised services. Against the market trend TRADEGATE® was able to continue its success story and increased trades by 44 %.

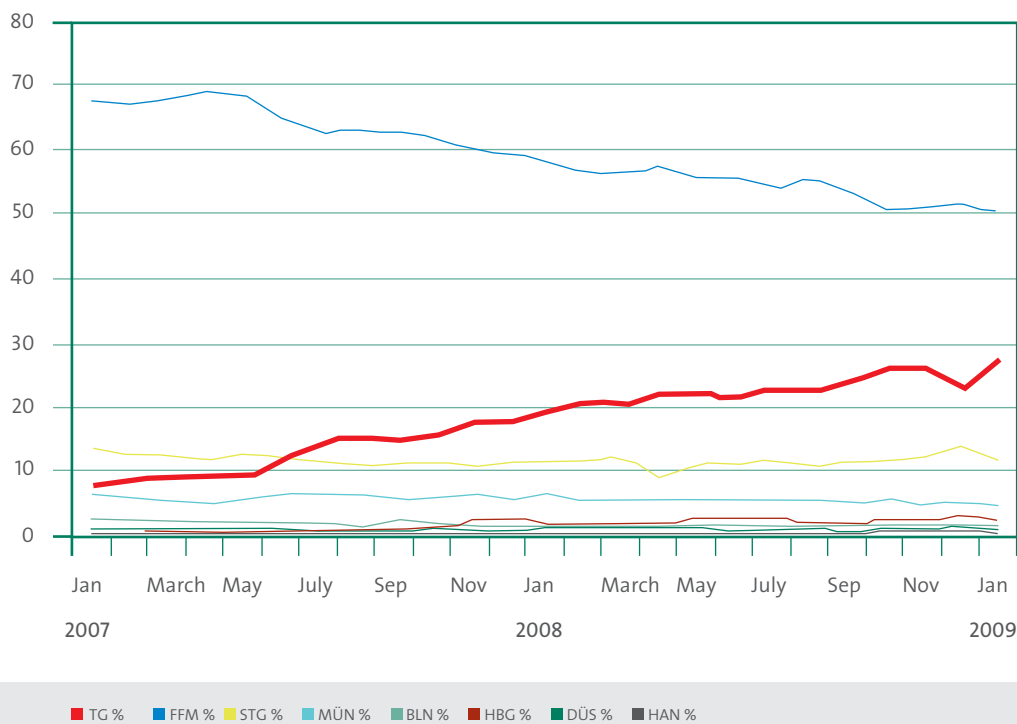


Securities Transactions on the Trading Platform TRADEGATE® Comparison 2001 - 2008



The number of transactions was affected by a weak market environment from February to September. On the other hand, October 2008 was the best ever month for the MTF (multilateral trading facility) TRADEGATE® with 380,007 trades. On the last trading day of the year alone (30.12.2008; end of trading 2 pm) 21,504 trades were executed on our platform.

Percent of trades
German Regional Stock Exchanges and TRADEGATE®



The overall success of the MTF TRADEGATE® in 2008 can be best appreciated by comparing the number of transactions with those of other trading floors in Germany. Here, TRADEGATE® has proved to be particularly resistant in bad times, consistently gaining the advantage over all other trading places. By concentrating on the needs of private investors over the past few years TRADEGATE® has continuously gained in strength, reaching a market share of 30 % in the first quarter of 2009. Almost unnoticed by the general public TRADEGATE® has advanced to the number two share trading platform for private investors after the Frankfurt Stock Exchange and processes more share transactions than all other regional stock exchanges put together.



As intended, our company made significant investments in information technology during 2008. Core elements of the trading platform were replaced by new, more effective components to prepare the system for a further rise in the number of transactions in the future. The effectiveness of the new system has already been tried and tested, in particular during the last quarter of the year.

In order to meet the requirements of the growing importance of TRADEGATE® as a European trading platform for private investors, last year the system operation and supervision was outsourced to a 100 % subsidiary, Tradegate Börsenservice GmbH. This company has a licence to operate an MTF and works in a manner similar to the former "Vereinsbörse" (an operating company representing the interests of exchange users), enabling Tradegate AG Wertpapierhandelsbank to concentrate exclusively on its original business of trading in securities. The strict legal separation of the MTF operation from Tradegate AG Wertpapierhandelsbank means that the platform can be opened up for more products and market participants. The start of a new market segment for bond and fund trading is already planned for the second quarter of 2009.

In light of the negative market environment and continuing financial crisis the outlook for 2009 can only be cautiously optimistic. Despite this, the company will keep to its intended growth strategy by making the necessary investments for the future.

The majority shareholder, Berliner Effektengesellschaft AG, has declared its willingness to sell its shares in the company to strategic, long term investors in order to ensure and carry forward the success story of TRADEGATE®. The first important strategic partner has already been found in BNP Paribas S.A., a company which may be able to gain customers for TRADEGATE® in the medium term outside Germany.

Without doubt, the year 2008 was not a very happy one for our shareholders. However, it is worth pointing out that – in the context of the current problems in the financial industry – compared with nearly all other financial stocks the development of our share price can be described as remarkably stable. Our significantly increased dividend – taken partly from retained earnings – is intended as a positive sign in the middle of the worst economic crisis since the eighties. Our company became aware of the upheaval on the international capital markets and especially in the German stock exchange scene at an early stage and during profitable years invested consistently in the development of a modern trading system. We therefore have a very good chance of emerging from the financial crisis unscathed and stronger than before.

Berlin, April 2009



ANNUAL FINANCIAL STATEMENTS OF THE TRADEGATE AG WERTPAPIERHANDELSBANK	12
Assets	12
Equity and liabilities	13
Income statement	14
Notes to the financial statements 2008	16
Management report	30
Auditors' report	43
REPORT OF THE SUPERVISORY BOARD	44
CONTACT IMPRESSUM	47

BALANCE SHEET: ASSETS
Tradegate AG Wertpapierhandelsbank
as at 31 December 2008

	in € 2008	in € 2008	in € 2007
1) Cash reserves			
a) cash balance	150.20	150.20	188.26
2) Receivables from banks			
a) due daily	26,269,868.30		18,191,227.41
b) other receivables	4,083,155.98	30,353,024.28	9,545,480.47
3) Receivables from customers		158,971.36	323,738.73
of which:			
financial services institutions	117,471.99		147,558.13
4) Bonds and other fixed-interest securities			
a) money market securities			
aa) other issuers	-		-
of which: lendable from the Deutsche Bundesbank	-		-
b) loans and bonds			
ba) from other issuers	301,035.00	301,035.00	322,990.40
of which: lendable from the Deutsche Bundesbank	-		
5) Shares and other non fixed-interest securities		12,303,167.70	15,909,304.70
6) Investments		260,712.00	249,998.00
7) Shares in affiliated companies		50,000.00	-
8) Intangible assets		148,281.00	228,828.00
9) Tangible fixed assets		476,289.00	533,195.00
10) Own shares		48,646.55	36,796.69
11) Other current assets		392,593.89	365,434.94
12) Prepaid and deferred expenses		69,563.90	3,617.14
Total assets		44,562,434.88	45,710,799.74



BALANCE SHEET: EQUITY AND LIABILITIES
 Tradegate AG Wertpapierhandelsbank
 as at 31 December 2008

	in € 2008	in € 2008	in € 2007
1) Liabilities to banks			
a) due daily	2,888,626.99	2,888,626.99	1,077,850.71
2) Liabilities to customers		71,879.24	148,088.51
of which:			
financial services institutions	71,879.24		148,088.51
3) Other liabilities		630,006.62	824,832.02
4) Prepaid and deferred expenses		54,109.56	79,469.12
5) Provisions and accruals			
a) tax provisions	818,519.77		538,294.93
b) other provisions	1,374,685.63	2,193,205.40	1,143,887.28
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	48,646.55		36,796.69
cc) other revenue reserves	208,460.52		8,948,580.48
d) net profit	10,867,500.00	38,724,607.07	5,313,000.00
Total equity and liabilities		44,562,434.88	45,710,799.74

INCOME STATEMENT

Tradegate AG Wertpapierhandelsbank

for the period from 01. January 2008 to 31. December 2008

	in € 2008	in € 2008	in € 2008	in € 2007
1. Interest earned from				
a) credit and financial market business	1,007,132.70			893,943.40
b) fixed-interest securities and government ledger bonds	9,669.83	1,016,802.53		1,115.23
2. Interest paid		- 3,921.72	1,012,880.81	- 0.27
3. Current earnings from				
a) securities and other non fixed-interest securities			182,834.45	113,229.49
4. Commissions received		3,573,578.91		8,337,566.83
of which: broker's commission	3,100,413.40			7,790,345.59
5. Commissions paid		- 5,662,489.46	- 2,088,910.55	- 8,535,830.43
of which: broker's commission	- 1,264,898.22			- 3,153,292.07
6a. Earnings from financial transactions		79,587,833.00		72,894,700.54
of which:				
aa) securities	53,021,583.60			32,556,894.92
ab) foreign exchange differences from designation of the counterparty transactions	24,747,365.40			40,248,252.90
6b. Expenses from financial transactions		- 61,985,855.94	17,601,977.06	- 55,387,059.76
of which:				
ba) securities	- 39,402,876.62			- 24,338,487.47
bb) foreign exchange differences from designation of the counterparty transactions	- 20,840,998.45			- 30,845,477.20
7. Other operating profits			885,018.66	816,141.97
8. General administration expenses				
a) personnel expenses				
aa) wages and salaries	- 4,770,946.47			- 5,896,991.52
ab) social security payments and expenses for retirement provisions	- 697,847.34	- 5,468,793.81		- 736,397.46
of which: € 42,886.97 for retirement provisions				39,084.90
b) other administration expenses		- 7,701,932.08	- 13,170,725.89	- 5,514,942.04



	in € 2008	in € 2008	in € 2008	in € 2007
9. Write-offs and value adjustments on intangible assets and tangible fixed assets			- 383,129.57	- 330,273.25
10. Other operating expenses			- 10,333.33	- 68,338.76
11. Write-offs and value adjustments on receivables and certain securities and on allocations to provisions and accruals in the credit business		- 1,060,314.62	- 1,060,314.62	- 91,155.52
12. Earnings from write-ups to receivables and certain securities and from the release of provisions in the credit business		-	-	-
13. Write-offs and value adjustments on investments, shares in affiliated companies and securities treated as fixed assets		-	-	- 249,998.00
14. Result from ordinary activities			2,969,297.02	6,245,710.45
15. Income and profit taxes		- 832,067.80		- 1,628,832.91
16. Other taxes, unless recorded under item 10		-	- 832,067.80	-
17. Net income for the year			2,137,229.22	4,616,877.54
18. Withdrawals from revenue reserves				
a) from other revenue reserves		8,742,120.64	8,742,120.64	732,919.15
19. Allocations to the revenue reserves				
a) to reserves for own shares		- 11,849.86		- 36,796.69
b) to other revenue reserves		-	- 11,849.86	-
20. Net profit			10,867,500.00	5,313,000.00

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 Tradedate AG Wertpapierhandelsbank for the year ended 31 December 2008 were prepared in accordance with the provisions of the German Commercial Code (HGB) taking into consideration the regulations for banks and the Bank Accounting Directive (Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute [RechKredV]), as last amended on 22 May 2005.

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

The financial statements were prepared in €.

Accounting and valuation principles

Receivables from banks and customers are shown at their nominal value. Securities are shown in the balance sheet 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. Up until 2007, low-value fixed assets were written off in full in the year of acquisition and booked out. As of 2008 they are written off according to tax rules starting in the year of acquisition.

Liabilities, as far as they are interest bearing, are stated at their repayment amount. Amounts payable for securities traded arising from going short are shown under liabilities to banks with the value of the securities at the time of sale or the current market price, whichever the higher.

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 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 31 December 2008.

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 € 2008	in € 2007
Other receivables from banks		
a) up to three months	4,083,155.98	9,545,480.47
	4,083,155.98	9,545,480.47
Receivables from customers		
a) indefinite time period	158,971.36	323,738.73
	158,971.36	323,738.73
Liabilities to customers		
a) due daily	71,879.24	148,088.51
	71,879.24	148,088.51

Receivables from and liabilities to affiliated companies

	in '000 € 2008	in '000 € 2007
Classification according to balance sheet item		
Receivables:		
other current assets	-	46
Total	-	46
Liabilities:		
Liabilities to customers	25	-
Other Liabilities	-	141
Total	25	141

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 € 2008	in '000 € 2007
Assets	842	1,673
Depts	1,084	572

Securities marketable on the stock exchange

	in '000 € 2008	in '000 € 2007
Listed on a stock exchange		
Bonds and other fixed-interest securities	301	323
Stocks and other non fixed-interest securities	2,903	3,512
Not listed on a stock exchange		
Stocks and other non fixed-interest securities	9,063	11,952
Investments	261	250

Except for shares to the book value of € 337,000.00, all securities held are marketable on the stock exchange. The shares not listed on the stock exchange and other non fixed-interest securities include € 1,000.00 marketable shares and € 9,062,000.00 shares in an equity fund.

	less than one year	from one to five years	more than five years	indefinite	total
Remaining term					
Book value in '000 €	0	0	1	300	301



Development of capital assets

	Acquisition costs	Additions in the business year	Disposals in the business year	Rebookings	Write-offs in total	Write-offs in the business year	Residual book value at 31.12.2008	Residual book value in previous year
in €								
Financial assets								
Investments	499,996.00	60,714.00	-	-	249,998.00	-	310,712.00	249,998.00
Total financial assets	499,996.00	60,714.00	-	-	249,998.00	-	310,712.00	249,998.00
Intangible assets								
Software	1,512,673.45	25,801.93	-	-	1,390,194.38	106,348.93	148,281.00	228,828.00
Payments on intangible assets	-	-	-	-	-	-	-	-
Total intangible assets	1,512,673.45	25,801.93	-	-	1,390,194.38	106,348.93	148,281.00	228,828.00
Tangible fixed assets								
Business and office equipment	4,484,287.88	220,597.64	272,207.13	-	3,956,389.39	176,780.64	476,289.00	533,195.00
Total tangible fixed assets	4,484,287.88	220,597.64	272,207.13	-	3,956,389.39	176,780.64	476,289.00	533,195.00
Total assets	6,496,957.33	307,113.57	272,207.13	-	5,596,581.77	283,129.57	935,282.00	1,012,021.00

Other current assets

“Other current assets” contain 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 € 280,000.00. The amount of € 86,000.00 is also included here in advance payments for a capital increase and a further € 21,000.00 deferred income from services performed but not yet charged.

Liabilities to banks

This balance sheet item primarily contains liabilities from going short on securities to the amount of € 2,068,000.00 (last year € 610,000.00) and amounts payable for the use of settlement services of a bank for € 480,000.00 (last year € 458,000.00).

Other liabilities

“Other liabilities” contain those items which cannot be subsumed under other balance sheet items on the equity and liabilities side. Of the € 630,000.00, € 476,000.00 relate to liabilities and accruals and deferrals based on deliveries and services, € 72,000.00 to income tax not yet paid and € 71,000.00 to sales tax to be paid to the parent company. At the balance sheet date, in line with the evaluation of foreign currency in “receivables and liabilities”, a foreign currency balancing item for unrealised gains was created to the amount of € 200.00 (last year € 0.00).

Provisions and accruals

Items under provisions and accruals which do not yet have a fixed amount or date of maturity belong in the income statement for the business year 2008 or earlier. The classification of the other provisions and accruals can be seen in the following table:

	in '000 € 31.12.2008	in '000 € 31.12.2007
Provisions and accruals for		
Personnel costs	871	496
Rebuilding costs	171	130
Cost of annual financial statements	127	120
Contributions to associations	78	63
Impending losses from going short	0	5
Additional property expenses	38	19
Impending losses from settlement agreement	37	120
Advisory and auditing services	7	10
Impending losses from pending transactions	1	96
IT services	0	69
Stock exchange fees for flotation of securities	0	2
Other expenses	45	14
Total	1,375	1,144

Capital stock / subscribed stock

As at 31 December 2008 the subscribed stock remained unchanged at € 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. This authorisation was cancelled at the shareholders' meeting on 20 June 2008.

Following the resolution of the shareholders' meeting on 20 June 2008, the Board, with the consent of the Supervisory Board, is authorised until 19 June 2013 to issue or grant, once or more than once, interest-bearing convertible bonds issued to the bondholder or bearer and/or subscription rights without issue of bonds (hereafter, "employee stock options") with a maximum duration of five years and a conversion privilege or option right on up to 1,424,000 new bearer shares of the company according to the requirements of the bond terms or terms of subscription. The legal subscription right of the shareholders is excluded. The employee stock options shall be offered to the beneficiaries for the realisation of the company's employee share plan.

	Contingent Capital 1 - 1 - 2008	Additions	Expiry / use	Contingent Capital 31 - 12 - 2008	of which used	of which unused
Option rights	2,300	0	- 1,309	991	991	0
Convertible bonds / subscription rights	0	1,424	0	1,424	0	1,424
Total	2,300	1,424	- 1,309	2,415	991	1,424

In 2007 and 2008 the Tradegate AG Wertpapierhandelsbank started a stock option scheme for the employees of Tradegate AG Wertpapierhandelsbank and the Berliner Effektengesellschaft AG. In 2008 the employees were offered 500,000 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 with a value of € 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 2008, are summarised as follows:

	in € 2007	in € 2008
Year of assignment		
Exercise period	15.2.09 - 14.2.12	1.3.10 - 31.3.13
Strike price	5.20€	4.70€
Exercise hurdle	5.19€	4.69€
Options offered	496,500	500,000
Options accepted	496,500	500,000
Value of option right upon issue	0.77€	0.11€
Stock at 1 · 1 · 2008	496,500	-
newly issued options	-	500,000
forfeited options	5,500	-
exercised options	-	-
expired options	-	-
Stock at 31 · 12 · 2008	491,000	500,000
of which exercisable	-	-

Capital reserves

No additions were made to the capital reserves 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 Section 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, an amount exceeding half of the year's profit can be allocated to the other revenue reserves until half the amount of capital stock is reached.

Other revenue reserves of € 8,742,120.64 are to be liquidated, so as at 31 December 2008 € 208,460.52 remain.



Own stocks

In accordance with Article 71 Section 1 Clause 7 of the Companies Act, the company was authorised by resolution of the shareholders' meeting on 20 June 2008 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 18 December 2009. 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 2008, 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 off-exchange trading platform TRADEGATE®. In 2008, 29,366 shares of Tradegate AG Wertpapierhandelsbank were purchased at a price of € 139,208.40. 24,650 shares were sold resulting in revenue of € 117,284.71. A reserve for own stocks to the amount of the book value of own shares of € 48,646.78 must be shown in the balance sheet. € 11,849.86 was therefore taken from the net income for the year on 31 December 2008 and allocated to the reserves.

		Shares purchased	Shares sold	Percentage of share capital
Month				
Opening stock		6,839		0.03
January	2008	4,082	3,550	0.02
February	2008	7,200	8,160	0.03
March	2008	1,430	1,000	0.01
April	2008	4,527	1,450	0.02
May	2008	2,291	2,455	0.01
June	2008	2,296	2,754	0.01
July	2008	1,251	1,547	0.01
August	2008	1,352	679	0.01
September	2008	2,082	1,620	0.01
October	2008	2,580	1,280	0.01
November	2008	100	155	0.00
December	2008	175	-	0.00
Total		29,366	24,650	0.12

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 and 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 € 885,000.00 are shown in the following table.

	in '000 € 2008	in '000 € 2007
Item		
Cost allocation affiliated companies	357	269
Cost allocation other companies	342	237
Release of provisions	103	74
Accrued interest on corporate tax credit	31	0
Refund of contributions	20	77
Damages	17	62
Revenues from transfer of rights	0	67
Other	15	30
Total	885	816



Expenses in other accounting periods

The position "other administration expenses" contains € 2,000.00 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 2008. The appropriation to provisions for anticipated tax prepayments amount to € 75,000.00 for the reporting period 2008 and € 53,000.00 for other reporting periods.

D. OTHER INFORMATION

Shareholdings

The following information refers to 31 December 2008 and the business year 2008, unless otherwise stated.

	in %	in €
Tradegate Börsenservice GmbH, Berlin		
Nominal capital		50,000.00
Shareholding	100.0	50,000.00
Equity capital		50,023.47
Profit for the year		23.47

Other financial obligations

Obligations of € 1,407,000.00 exist for rental, leasing and servicing contracts. They relate mainly to rental contracts for office premises valid until 31 December 2009.

The Tradegate AG Wertpapierhandelsbank has taken guaranteed credits with the quirin bank AG and the Delbrück Bethmann Maffei AG. The total amount stands at € 4,806,000.00. 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	4.0	5.0	4.0
Traders	6.3	34.0	40.3	38.8
Other employees	13.0	15.3	28.3	29.2
Maternity/parental leave	1.8	0.5	2.3	2.5
Trainees	2.0	-	2.0	1.0
Student trainees	-	1.0	1.0	3.5
Interns	-	-	-	-
Total	24.0	54.8	78.8	79.0
of which part-time employees (headcount)	4.5	2.8	7.3	7.8
of which part-time employees (in terms of full-time positions)	3.3	1.6	4.9	4.4
As at 31 December 2008				
Board members	1	4	5	4
Traders	6	36	42	40
Other employees	12	13	25	30
Maternity/parental leave	2	-	2	2
Trainees	2	-	2	2
Student trainees	-	1	1	1
Interns	-	-	-	-
Total	23	54	77	79
of which part-time employees (headcount)	4	3	7	6
of which part-time employees (in terms of full-time positions)	2.9	1.5	4.4	3.7



Corporate bodies of the Tradegate AG Wertpapierhandelsbank

Listed below, in accordance with Article 285 Section 10 HGB, are the members of the board and the supervisory board as at December 31, 2008 with 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®	
Other positions: Member of the Management Board Tradegate Börsenservice GmbH, Berlin (since 7.8.2008)	
Jörg Hartmann, Berlin	
Occupation held: Exchange trader, domestic securities trading department	
Other positions: Member of the Supervisory Board Kapula Candles AG, Berlin	
Klaus-Gerd Kleversaat, Berlin (since 1.1.2008)	
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 Wechselstuben AG, Berlin Ventegis Capital AG, Berlin Member of the Management Board Tradegate Börsenservice GmbH, Berlin (since 7.8.2008)	

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 (until 30.6.2008) Ex-tra Sportwetten AG, Vienna, Austria RTS Realtime Systems AG, Frankfurt am Main (until 5.10.2008) Ventegis Capital AG, Berlin Yalta AG, Frankfurt am Main (since 27.10.2008)
Deputy Chairman of the Supervisory Board	Börse Berlin AG, Berlin (until 19.6.2008) RTS Realtime Systems AG, Frankfurt am Main (since 31.10.2008) RTS Realtime Systems (Deutschland) AG, Frankfurt am Main Zweitmarkt PLUS AG, Berlin (until 10.6.2008)
Member of the Supervisory Board	Europäische Warenterminbörse Beteiligungs AG, Hannover (until 30.4.2008)
Chairman of the Stock Exchange Council Chairman of the Board	Berlin Stock Exchange, Berlin 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 Wechselstuben AG, Berlin
Member of the Supervisory Board	Berliner Effektengesellschaft AG, Berlin quirin bank 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 (until 30.11.2008)



Remuneration of corporate bodies

The members of the board received remuneration of € 672,000.00 from TradeGate AG Wertpapierhandelsbank of which € 400.00 was accounted for by benefits from group accident insurance. The supervisory board received remuneration of € 27,000.00 including value-added tax.

Proposal on the allocation of the unappropriated profits

The total declared profit of the previous year, € 5,313,000.00, 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 € 10,867,500.00 of the accumulated profit of the year 2008 as a dividend. This is equal to a dividend of € 0.45 per share.

Berlin, 18 February 2009

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 2008

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 Section 1a Clause 2 No. 1 KWG [German Banking Act])
Acquisition agent (Article 1 Section 1a Clause 2 No. 2 KWG)
Own-account trader for others (Article 1 Section 1a Clause 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 Section 1 Clause 2 No. 4 KWG)
Investment banking (Article 1 Section 1 Clause 2 No. 10 KWG)

The investment banking business was started in 2008.

With effect from 1 January 2008 the company is also authorised to operate the following:

Deposit banking (Article 1 Section 1 Clause 2 No. 2 KWG)
Lendings business (Article 1 Section 1 Clause 2 No. 1 KWG)
Custody business (Article 1 Section 1 Clause 2 No. 5 KWG)
Giro operations (Article 1 Section 1 Clause 2 No. 9 KWG)

According to the interim regulations of the implementation act for the Markets in Financial Instruments Directive, a permit for

Investment advice (Article 1 Section 2a Clause 2 No. 1a KWG)
Operation of a multilateral trading facility [MTF] (Article 1 Section 1a Clause 2 No. 1b KWG)
Own-account trading (Article 1 Section 1a Clause 3 KWG)

is considered as being issued on 1 November 2007 pursuant to Article 64i Sections 1, 2 and 4 KWG, since on this date Tradegate AG had a permit for the banking business and several other financial services, was dealing in financial services for own account and had already made a complete permit application according to Article 32 KWG which is understood the BaFin did not oppose within the time limit of three months after receipt.

In the course of its business the company acts as order book manager on the Frankfurt and Berlin stock exchanges. It has further admissions to listing on the stock exchanges in Munich, Stuttgart, Düsseldorf and Vienna and is designated sponsor on XETRA®. An additional focus is the handling of financial instruments on the company's own off-market trading platform TRADEGATE®. The operation of TRADEGATE® was transferred to the 100 % subsidiary, Tradegate Börsenservice GmbH, Berlin, in 2008.



The company considers itself to be a so-called liquidity provider or market maker and provides continuous bid and ask prices for around 9,900 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 an exclusive 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 five board members, two of whom are responsible for the operative business areas including the management of the branch in Frankfurt. Another board member takes care of the areas IT-Development and IT-Operations. The new business area, banking, is the responsibility of a further board member. 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, auditing and money laundering, and accounting including controlling and regulatory reporting.

2.2 Competitive position and general conditions

Due to the continuing financial crisis, the general economic conditions for securities trading companies have worsened dramatically in 2008. Even though the company deals almost exclusively in shares and is not directly affected by the looming disaster of many derivative financial products, the overall uncertainty and reticence, especially among private investors, is noticeable. Share trading on all remaining trading floor exchanges has fallen sharply so that the contribution to operating income from the business area order book management is now of little significance for the company. As in previous years, the company has avoided taking active part in the consolidation process of the order book management business, for example by taking over other, smaller companies.

For several years now, the company has concentrated investment and business development on its own electronic trading platform, TRADEGATE®, which in 2008 received a permit as a so called MTF (multilateral trading facility) and again managed to increase its share of sales. The assumption made in the management report for 2007 that MTFs will gain significance in Europe in the coming years was confirmed in 2008. Even though there is still no significant competitor operating an MTF in Germany, the company must now endeavour to maintain and develop its advantageous starting position in Europe. The negative market conditions raise the barriers to entry for potential competitors, so at least for the moment no further hasty fragmentation of the markets is to be expected.

Traditional stock exchanges will probably have to rethink the way they are structured so as not to lose further market share to MTFs. For trading in relative illiquid markets, regardless of how this is structured by the stock exchanges, market specialists (in Germany known as "Skontroführer") will continue to be needed by the European exchanges. Through its many years' experience in operating an MTF the company is qualified in every aspect (personnel, IT infrastructure, equity capital etc.) to compete with other remaining securities trading companies in offering the services needed.

2.3 Goals and strategies

The company's goal is to further develop its MTF TRADEGATE® in order to gain new customers and additional market share. To this purpose, the operation of the MTF was transferred to a 100 % subsidiary (Tradegate Börsenservice GmbH) which, in a manner similar to that of the former "Vereinsbörse" (operating company representing the interests of exchange users), aims to win as many market participants as possible who can then settle their transactions at the best prices on the MTF TRADEGATE®. An important step in the competition with other exchanges and MTFs is to expand the product range on TRADEGATE®. It is anticipated that in the second quarter of 2009, in addition to shares, bonds and funds will be traded on TRADEGATE®. Since it is not the company's core competence to deal with such securities, other securities trading companies, which have already signalled their interest, will be used. In addition, the number of stocks offered for trading will be increased again significantly in order to meet the needs of private investors and to distinguish TRADEGATE® from other European MTFs, nearly all of which have focused on trading in liquid stocks for institutional market participants.

The authorisation as universal bank affords the company further medium term possibilities to optimise business with depositary banks already connected to TRADEGATE®. The quirin bank AG, a partner experienced in activities for third parties, has been appointed for the operation of the universal bank, so that the company can concentrate on the operative business and its core competencies.

In 2009, the company was successful in winning BNP Paribas as an important strategic partner for the development of TRADEGATE®. During this year BNP Paribas will acquire a total of just under 20 % of the shares in the business.

The company remains closely integrated in the affiliated group of the majority shareholder, the Berliner Effektengesellschaft AG, Berlin, which is prepared to allow other strategic minority shareholders to acquire shares in the company provided this is desired and useful for business development.

Large, traditional European stock exchanges are considered by the company not just as competitors but first and foremost as potential business partners on whose established infrastructure the company wishes to continue to provide its services as market specialist.

2.4 Business development and general conditions

The business development in 2008 was relatively atypical and unpredictable. Results varied considerably from month to month and were affected largely by every piece of news emerging in the course of the acute financial crisis. Overall, there were 7 months' profit and 5 months' loss. The summer months June to August were particularly low in turnover. In contrast, the highest turnover with a record number of trades was the whole fourth quarter. This was due at least partly to the special effect of the new withholding tax which was introduced on 1 January 2009.

The number of contract notes coming from order books on the exchanges in Frankfurt and Berlin has fallen dramatically by 61.8 % (904,773 contract notes compared with 2,366,913 last year). This is not only due to the financial crisis but also to loss of market share in favour of MTFs or other electronic exchange systems such as XETRA®.

On the other hand there was a significant 44.7 % rise in the number of transactions completed on the MTF TRADEGATE® (2,300,221 transactions compared with 1,589,196 last year).

If one takes into account that one trade made by a single customer on the stock exchange usually generates three contract notes, then strictly one should only compare about 301,591 order book trades with the 2,300,221 trades made on TRADEGATE®. This means that in 2008 TRADEGATE® generated 88.4 % of all trades of the company.

Last year the share of trades was 66.9 % and the year before 55.3 %. In its first operating year, 2001, TRADEGATE® began with 1 %. In the fourth quarter of 2008, where turnover was at its highest, the share of trades even reached 95 %. This makes clear that TRADEGATE® is still able to gain market share, even in a difficult market situation.



The company has stayed abreast of changes and for the first time has ceased dealing in unprofitable order books for shares, so that the total number of order books handled was reduced from 12,219 in 2007 to 11,383 as at 31.12.2008. In contrast, the number of securities traded on TRADEGATE® (mainly shares) was increased in 2008 from 1,185 to 3,555.

The number of employees, including those of the newly founded subsidiary Tradegate Börsenservice GmbH, remained relatively constant. There were six new-comers and two leavers, so that the total of 83 employees (six in the subsidiary) – compared with 79 at the beginning of the year – represents just a slight difference. The age structure has not changed much either. The average age lies at about 37.2 (last year 36.5) with the emphasis on the age group from 32 to 36. The average job tenure is 7.3 years (last year 6.4 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 the company in difficult economic situations, and on the other that during successful periods the employees have a suitable share in the company's success.

In the past business year large investments were made once again in existing IT-systems, particularly for upgrading, extension or renewal. 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 portion of costs for administration and maintenance expended just to comply with all stock market and legal regulations is very high. These costs will rise even further in line with the new permit as universal bank and the licence to operate an MTF. The company has, however, managed to establish efficient and practicable structures that are suitable for its size.

In view of the continuing financial crisis and the extremely negative market environment, the result of normal business activities with a profit of almost 3 million € can be considered as positive, even though this represents a 52 % loss of profits compared with the previous year.

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 results. Last year, the net commission income fell from € -198,000.00 to € -2,089,000.00. The considerable decrease in the net broker's fee from € 4,637,000.00 to € 1,836,000.00 is the reason for the loss. Commissions paid for settlement services fell from € 4,076,000.00 to € 3,158,000.00. During last year the service provider made detailed invoices so that external system costs could be shown more exactly under "other administration expenses". Thus, despite higher trading activity on the platform TRADEGATE®, the expenses for settlement services are lower than last year. The result achieved from financial transactions, i.e. the balance of earnings and expenses from financial transactions, was very good last year. Following a very weak third quarter the last quarter was especially successful. As in the previous year, the result from financial transactions is due to the results of trades 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 59.2 %. Commensurate with the significance of off-market trading, the realised net result from securities trading, i.e. the balance of realised profits and realised losses was, at € 14,193,000.00, 63.6 % higher than last year (€ 8,678,000.00). The valuation result of security holdings developed negatively from € -459,000.00 to € -575,000.00. The general administration expenses increased last year by € 1,023,000.00. In proportion to this result, a pool is created for bonuses and special payments. A lower result was therefore accompanied by a drop in the amount of bonuses paid out 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. Under taxable possible utilisation of the loss brought forward, provisions for taxation were made to the amount of € 755,000.00 this year. Balanced out, the tax expenses come to € 832,000.00.

	in '000 € 2006	in '000 € 2007	in '000 € 2008
Income Statement			
Interest profits	557	895	1,017
Interest expenses	-	-	- 4
Current profits	210	113	183
Commissions received	8,312	8,338	3,573
Commissions paid	- 6,832	- 8,536	- 5,663
Profit from financial transactions	42,848	72,895	79,588
Expenses of financial transactions	- 29,777	- 55,387	- 61,986
Other operating profits	515	816	885
Profits from the release of special items partly with reserve character	-	-	-
General administrative expenses	- 10,638	- 12,148	- 13,171
Write-offs and value adjustments on intangible assets and tangible fixed assets	- 309	- 330	- 383
Other operating expenses	- 128	- 68	- 10
Write-offs and value adjustments on receivables and certain securities	-	- 92	- 1,060
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	4,773	6,246	2,969
Income and profit taxes	- 1,035	- 1,629	- 832
Other taxes, unless recorded under other operating expenses	-	-	-
Net profit / loss	3,738	4,617	2,137

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



	2006	2007	2008
CIR	71.5%	68.1%	81.0%
ROE	9.14%	11.02%	5.52%
EpS	0.155€	0.191€	0.088€

4. DEVELOPMENT OF FINANCIAL POSITION

The liabilities of the company are relatively low. The liabilities are mainly made up of € 2,058,000.00 for the delivery commitment of securities and € 480,000.00 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 € 819,000.00. The equity ratio changed slightly from 92 % to 87 %.

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 a book value of € 9,062,000.00 are available as cash reserves.

	in '000 € 31.12.2006	in '000 € 31.12.2007	in '000 € 31.12.2008
Liabilities			
Liabilities to banks	2,935	1,078	2,888
Liabilities to customers	248	148	72
Other Liabilities	278	825	630
Prepaid and deferred expenses	39	80	54
Provisions and accruals	1,598	1,682	2,193
Equity capital	40,904	41,898	38,725
Total liabilities	46,002	45,711	44,562

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 € 9,062,000.00 is invested in the BEG Fund 1, which retains the results achieved. In consequence of the stock market losses on the capital market, the fund has accumulated pending losses up to 31 December 2008, which are reflected in write-offs of € 938,000.00. An investment of € 500,000.00, made in 2007 and then increased slightly, did not have to be depreciated any further. The development of the last three years is shown in the following table.

	in '000 € 31.12.2006	in '000 € 31.12.2007	in '000 € 31.12.2008
Assets			
Cash reserve	-	-	-
Receivables from banks	27,179	27,737	30,353
Receivables from customers	457	324	159
Bonds and other fixed-interest securities	333	323	301
Shares and other non fixed-interest securities	16,893	15,909	12,303
Investments	-	250	261
Shares in affiliated companies	-	-	50
Own shares	-	37	49
Intangible assets	245	229	148
Tangible fixed assets	507	533	476
Other current assets	350	365	393
Prepaid and deferred expenses	38	4	69
Total assets	46,002	45,711	44,562

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

Due to the permit which allows the company to provide banking and financial services, 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, they 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 disclosure requirement in a separate report.

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 Fund 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 67.9 and 70.2. 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 2008 the capital resources were as follows:

	Amount in '000 €
Description	
Paid-in capital	16,710
Own shares	- 465
Capital reserves	41,418
Other reserves	546
Minority interests	1,996
Debit difference	- 2,934
Intangible assets	- 264
Core capital	57,007

As of January 2008 the report for the financial holding group Berliner Effektengesellschaft AG was made according to the Solvency Regulation. Between January and December 2008 the total key reference figures of the Solvency Regulation at group level lay between 66.29 % and 76.00 %.

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 it is not company strategy to build up and assume securities positions in anticipation of a positive market price development. 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 monitored at an early stage for any possible impact on the company's field of business and for technical necessities. Above all, wrong decisions can lead 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, taking into account the current total amount of capital and reserves and the effective result of the business year. An upper loss limit was decided for 2008 and was not adjusted 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 in turn 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- $\text{\$}$ exchange rate bring about corresponding changes in the stock price in $\text{\text{€}}$. 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 2008 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 2008 the limit was mostly only marginally used and 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 2008 no adjustments were made to the control limits for securities trading.

In addition, a limit is set 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. If the limit is exceeded, the board is informed immediately and then decides on the further handling of the securities in the liquidity reserve. In the course of the worldwide financial crisis the value of the BEG Fund 1 fell well below the acquisition costs. The necessary write-offs for fund shares meant that the internal limits for pending losses from the liquidity reserve set at the beginning of the year were exceeded. Following a risk assessment, the limit was increased significantly.

A further controlling limit exists for receivables and liabilities not in $\text{\text{€}}$ 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 create 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 an increased amount of work 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. With effect from 1 January 2008, the membership of the Compensatory Fund of Securities Trading Companies (EdW) expired so that no further special charges in the liability case (Phoenix Kapitaldienst GmbH) can be imposed on 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 18 % 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. The benchmark figure for operational risks is twice the amount of capital requirements according to the Solvency Regulation.

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. 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, the company has receivables from tax repayments and receivables from other brokers for securities transactions. Since 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.

The risk that a counterparty of an off-exchange securities trading transaction does not fulfil his duties of payment or delivery is considered 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 any 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 5.91 and 11.39, 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. Data on cases of damage from operational risks, specific incidents and steps undertaken is recorded in particular. This risk report complements the economic development report supplied to the managing board each month. 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 2008. 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 expects a particularly difficult year and a continued negative market environment in the medium term. Without knowing how the current financial crisis can be overcome worldwide and when the low point of the incipient recession will be, securities trading will not noticeably revive.

Although the company has initiated promising steps to gain market share by opening up for strategic investors and planning a significant expansion of the product range on TRADEGATE®, in view of the negative situation overall an increase in turnover cannot be counted on in 2009. The effects of the new withholding tax on customers' behaviour are also difficult to evaluate.

The company has almost no scope to reduce the amount of general costs. However, serious price increases from suppliers or service providers and/or negotiations for contract extensions and new contracts are not to be expected during the recession.

Depending on the future development of the financial crisis there is most likely to be a broad shake-out in the financial services industry and an increase in competitive pressure. At best, an increase of gross profit in securities trading in the medium term might compensate for losses in revenue. The timely market launch of its own MTF represents an invaluable advantage for the company, since in view of such declining turnover a market entry by new competitors is hardly imaginable.

Berlin, 18 February 2009

Tradegate AG Wertpapierhandelsbank

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 2008 the Supervisory Board dutifully performed the tasks incumbent upon it by the law and the company's statutes. 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 in 2008 for a total of five Supervisory Board Meetings. All members of the Supervisory Board and the Managing Board regularly took part in the meetings.

The main subjects of the meetings were the trading volume, the operating profit, the current risk situation of the company and the organisational and strategic development of the business. The focus of discussions was the expansion of the company's own trading platform TRADEGATE®. Furthermore, the Supervisory Board addressed the subject of the difficult situation on the financial markets and the current changes in the stock market environment.

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 for 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 2008 and submitted and discussed with the Supervisory Board in the accounts review meeting on 3 March 2009.

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 2008 according to Article 36 Section 1 of the Securities Trade Act was carried out by Dohm Schmidt Janka Revision und Treuhand AG Wirtschaftsprüfungsgesellschaft, 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 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 2008

The annual financial statements compiled by the Managing Board for the business year 2008, including the accounting and management reports, were examined by the auditors Dohm Schmidt Janka Revision und Treuhand AG 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 received a copy of the annual financial statements and discussed them at length with the responsible auditors in the meeting on 3 March 2009. The Supervisory Board examined the financial statements, the report of the Managing Board and its proposal for profit distribution. Based on its own examination the Supervisory Board concurred with the auditor's conclusion on the financial statements.

Following the final examination the Supervisory Board raised no objections and approved the financial statements compiled by the Managing Board. The financial statements were thus approved. The Supervisory Board agreed with the Managing Board's proposal for the use of the net profit for the year of € 10,867,500.

Personnel matters

The Supervisory Board appointed the board members Kerstin Timm, Holger Timm, Jörg Hartmann and Thorsten Commichau for a further four years until 31 December 2012.

At the Shareholders' General Meeting on 20 June 2008 all members of the Supervisory Board were appointed for a further five years.

The Supervisory Board would like to thank the Managing Board and all employees for their great personal commitment and hard work during the year 2008.

Berlin, 4 March 2009

Professor Dr. Jörg Franke
Chairman of the Supervisory Board



TRADEGATE AG
WERTPAPIERHANDELSBANK

Kurfürstendamm 119 | 10711 Berlin
Telephone: +49 (0)30-890 21-100
Fax: +49 (0)30-890 21-199

Branch:

c/o IHK | Börsenplatz 4 | 60313 Frankfurt/Main

Internet: www.tradegate.de
E-Mail: info@tradegate.de

Impressum:

Idea/text: Catherine Hughes
Design/produktion: KEHRBERG Grafik Design Media, Berlin
Date of printing: May 2009

All rights reserved. Reproduction and copying may only occur with the permission of the publisher:
Tradegate AG Wertpapierhandelsbank, Kurfürstendamm 119, 10711 Berlin

