



TRADEGATE AG

WERTPAPIERHANDELSBANK

Annual Report 2011





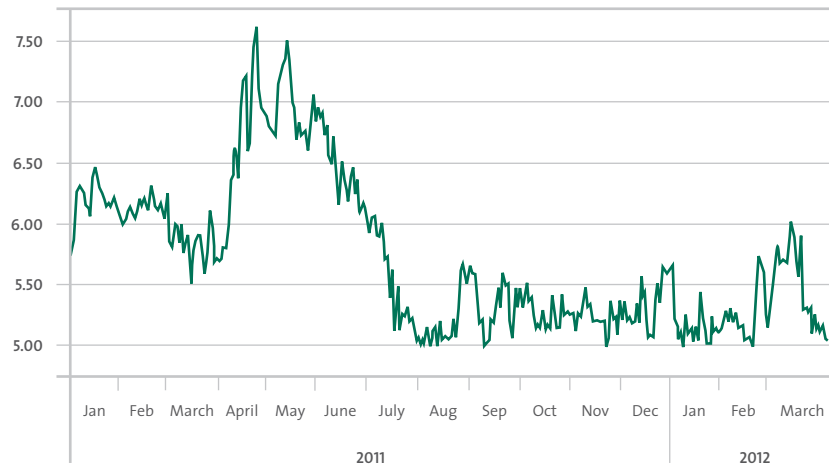
TRADEGATE AG

WERTPAPIERHANDELSBANK

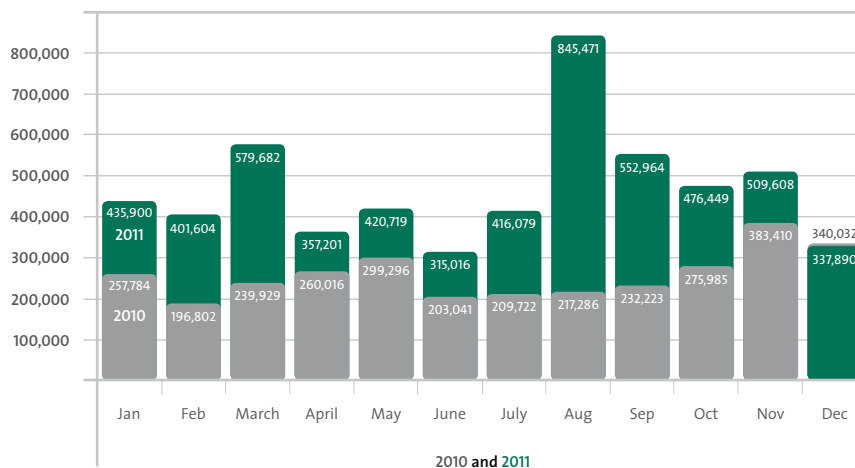
WKN 521 690, ISIN DE0005216907

(listed in the Entry Standard of the Frankfurt Stock Exchange)

SHARE PRICE DEVELOPMENT OF TRADEGATE AG WERTPAPIERHANDELSBANK January 2011 to March 2012



SECURITIES TRANSACTIONS (TRADEGATE AG WERTPAPIERHANDELSBANK) PER MONTH ON TRADEGATE EXCHANGE Comparison 2010/2011



SHAREHOLDERS' STRUCTURE AS AT 31 DECEMBER 2011

in %	
70.43	Berliner Effektengesellschaft AG
19.50	BNP Paribas
4.92	Deutsche Börse
5.15	Free float

BOARD OF MANAGEMENT

Holger Timm <small>Chairman</small>	Prof. Dr. Jörg Franke <small>Chairman</small>
Thorsten Commichau	Frank-Uwe Fricke
Jörg Hartmann	Karsten Haesen
Klaus-Gerd Kleversaat	Dr. Andor Koritz <small>Deputy Chairman</small>
Kerstin Timm	Rainer Riess
	Pamela Schmidt-Fischbach

SUPERVISORY BOARD
COMPANY DATA
AS AT 31 DECEMBER 2011
AS AT 31 DECEMBER 2010

Market capitalisation	138.5 M €	138.1 M €
Number of shares	24,554,304	24,282,354
Accounting	HGB	HGB
Balance sheet total	40,097,000 €	38,833,000 €
No. of employees	91	84

KEY DATA
AS AT 31 DECEMBER 2011
AS AT 31 DECEMBER 2010

Result per share	0.188 €	0.121 €
Dividend	0.08* €	0.07 €
Interest surplus/gross profit	1.15 %	0.87 %
Commission surplus/gross profit	2.37 %	7.45 %
Trading result/gross profit	96.48 %	91.68 %
Cost/income ratio	75.70 %	82.70 %
Equity ratio	80.09 %	77.61 %

CALENDAR OF EVENTS

Annual General Meeting in Berlin	14 June 2012	10 am
Shareholders' Forum in Berlin	7 December 2012	5 pm

* subject to agreement of AGM 2012

6.50

6.00

5.50

5.00



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**DEAR SHAREHOLDERS, BUSINESS PARTNERS AND FRIENDS OF SECURITIES TRADING,**

Quality always prevails. The efforts of the Tradegate Exchange and its specialists to establish the need for a high quality exchange geared strictly to the requirements of private investors are already bearing fruit. The figures speak for themselves: an increase of 75 per cent to 5.6 million transactions in 2011.

In more and more financial institutes the regular review of execution policies as stipulated by the Markets in Financial Instruments Directive (MiFID) has become a high-quality analysis of the correlation between customer needs and the services supplied by the markets. As a result of such Best Execution Policies implemented by banks, Tradegate Exchange is now receiving a growing number of their orders.

In addition, private investors in particular are actively choosing Tradegate Exchange as their preferred exchange for securities transactions. The combination of these two factors makes clear that the company is definitely on the right track.

Our company is proud of this positive development; after all, with 5.5 million orders we have played a large part in the success story.



Unfortunately, both the number of orders in the shares we manage on the Frankfurt Stock Exchange and the turnover of the order books assigned to us by the Berlin Stock Exchange have fallen considerably. This has certainly had an influence on our financial results but in the context of the general economic situation and the current developments in the financial industry, the operating profit can be regarded as satisfactory.

Overall, Tradegate AG Wertpapierhandelsbank is relatively strong compared with its competitors; only politically misguided developments such as the totally biased concept of a financial transaction tax disguised as "contribution to the costs of the financial crisis by those responsible" can seriously endanger the lasting success of the industry and our company. We shall use all possible influence to transform the current draft proposal for the tax into a balanced, purposeful and fair document.

Although the economic and political conditions of last year were anything but easy, thanks to the outstanding support from our customers, employees, shareholders and partners we can look back on a successful business year and together look forward to meeting the no lesser challenges of the coming year.

HOLGER TIMM

KERSTIN TIMM

JÖRG HARTMANN

KLAUS-GERD KLEVERSAAT

THORSTEN COMMICHAU



REPORT OF THE BOARD

REPORT OF THE BOARD FOR THE YEAR 2011

The ongoing financial crisis – nurtured by the devaluation of government bonds which we all thought to be “safe” – and the tragic events following the terrible earthquakes in Japan during the first quarter of 2011 had a marked effect on the unsettled share prices and amount of orders on the international stock markets. Once again, volatility on the markets was the only constant factor.

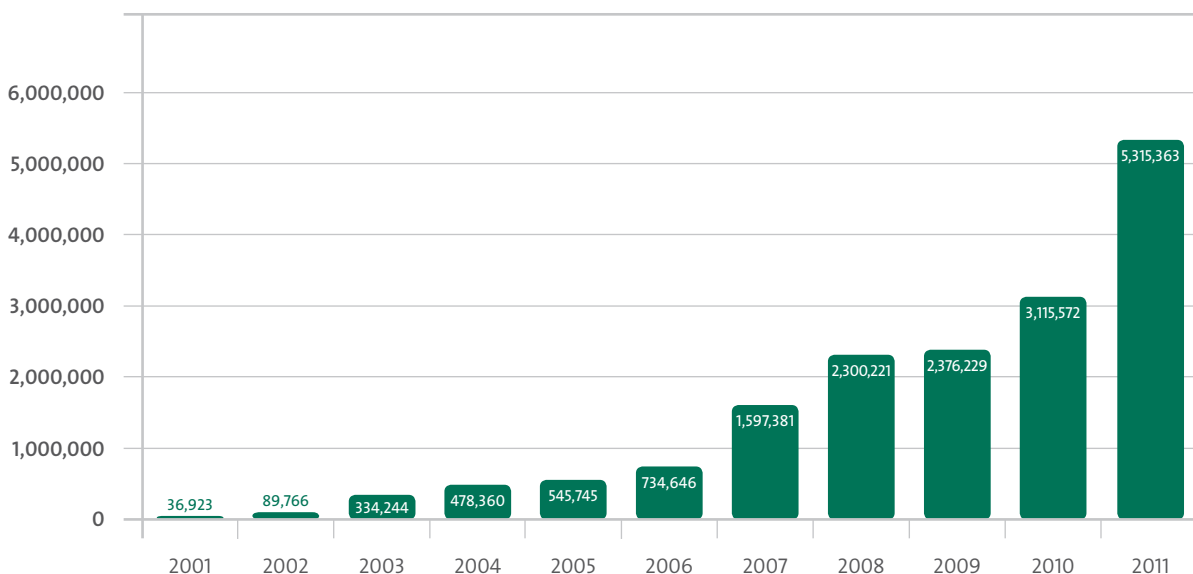
Unfortunately, creating a stock exchange with excellent features does not help to increase the number of private investors. One also has little or no influence on the size of orders and the amount of trading activity. By offering continuous quality, however, it is possible to concentrate investors’ orders into one place. In doing just that liquidity was increased considerably, helping the Tradegate Exchange – now the number one among the eight regional stock exchanges in Germany with a ca. 50 percent market share in equities – to improve its quality of service yet again. More and more private investors are gravitating towards our young exchange and placing their orders with us. As a result the number of transactions in the equities and exchange trades products sector, for which the company is a licensed specialist, rose to over 5.5 million in 2011. This is equivalent to a 76 percent increase compared with 2010.

Naturally, since a number of banks are already connected to the Tradegate Exchange the increase in the number of new customers has slowed down. The good news is that the participating institutes are themselves expanding, which in turn leads to a permanent increase in the number of transactions. Apart from our existing and new customers another source of business has come from banks that have calculated the outcome of their Best Execution Policies using technically detailed analysis. A significant part of the growth in the number of orders executed on the Tradegate Exchange – another

excellent 75 percent increase to 5.6 million compared with 2010 – was down to the connected institutes taking Tradegate into account in their (test) Best Execution Policies. We value the market leadership identified by our partners and customers much more than our own statistics. Their confidence in us is an incentive to help remaining institutes provide all private investors in Germany with access to the Tradegate Exchange.

The employees of Tradegate AG Wertpapierhandelsbank make every effort to turn the rising number of transactions into increased income. Unfortunately factors outside our influence are having a detrimental effect. The disproportionate amount of costs allocated to banks by the Federal Financial Supervisory Authority (BaFin) is obviously absurd. The share of costs that we had to pay as a securities trading bank for supervision of trading was usually between ca. 30 to 50 thousand Euros. According to the notice of advance payment for 2012 this has now jumped to 972,362 Euros – which means that we are now paying over 5 percent of all costs of all German banks, although our business activity has hardly changed. Given that our bank is small compared with most others, this amount does not represent a fair and justified allocation of the sharply rising costs the BaFin has incurred in the course of the financial crisis. It is to be hoped that the courts entrusted with clarifying the matter will soon come to the same conclusion.

The increasing number of orders on the Tradegate Exchange leads to higher liquidity on our market place, which means more customer orders can be executed without the participation of a specialist. This has the positive effect of improving prices for private investors but also leads to a discrepancy in the development of the number of transactions and our earnings. Added to this is the fact that shares

NUMBER OF SECURITIES TRANSACTIONS (EQUITIES) ON TRADEGATE EXCHANGE
 Development 2001 – 2011




REPORT OF THE BOARD

with low market value – especially the Commerzbank AG – represented and continue to represent a significant part of the orders made. If the difference between the buying and selling price is not to be found until the third decimal point then no large sum can be earned per trade. Overall, however, the increasing number of trades is reflected in increased earnings even though the gross yield per trade is declining. One of the factors which has an ongoing negative effect on our net earnings is that not all institutes make use of the opportunity to reduce their after-trade costs by netting, and as a result considerable expense is incurred for the settlement of individual transactions. As this significantly reduces earnings for us and all other market participants too, we hope that comprehensive use of this potential for substantial cost reduction will soon become standard practice.

The conversion of the trading system of the Frankfurt Stock Exchange in May 2011 caused a fall in earnings for our company. Unless the new model is modified the situation for key businesses, i.e. the market specialists, will remain difficult. The number of contract notes our company recorded in Frankfurt and Berlin fell by 8 percent compared with last year. We hope there will be a reversal of this trend so that our earnings on all the markets we work on stabilise permanently. Our company intends to contribute to the success of the exchanges in Frankfurt and Berlin and the Tradegate Exchange by providing continuous high quality service.

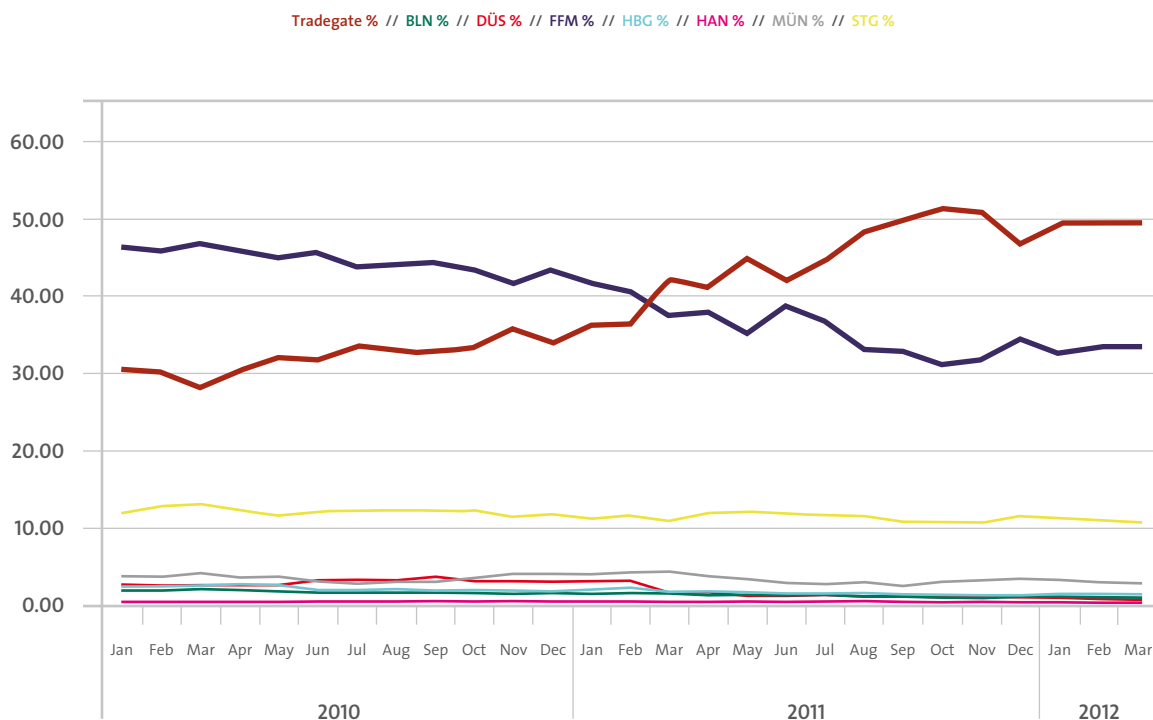
Alongside the traditional business of trading support on German markets our private banking business area enjoyed further growth last year. Our company is now a voluntary member in the deposit guarantee fund of the Federal Association of German Banks e.V.

In spite of a turbulent year and an unsettled market environment our company was able to increase the result from ordinary business activities by 61 percent to 6.792 million Euros. 2.443 million Euros were put into the fund for general banking risks. Consequently the tax burden rose by over 70 percent to 2.170 million Euros. The payment of a slightly improved dividend of 0.08 Euros from the net profit will be suggested at the shareholders' meeting.

Despite the present economic uncertainty we are confident that we can offer you three reliable elements of steady growth: the development of the Tradegate Exchange as Germany's leading exchange for private investors, the economic strength of your company and the trust of our customers, employees, shareholders and partners to whom we would like to say a big thank you for 2011.

MARKET SHARE IN EQUITIES

German Regional Stock Exchanges and TRADEGATE EXCHANGE



received

5. Commissions paid

6. Net earnings from financial transactions

7. Other operating profits

8. General administration expenses

a) personnel expenses

aa) wages and salaries

city payment

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BALANCE SHEET AS AT 31 DECEMBER 2011

BALANCE SHEET: ASSETS

Tradegate AG Wertpapierhandelsbank as at 31 December 2011

	in € 2011	in € 2011	in € 2010
1) Cash reserves			
a) cash balance	576.75		227.03
b) balance at Deutsche Bank	154,773.26	155,350.01	648,090.26
2) Receivables from banks			
a) due daily	27,770,203.39		23,479,476.40
b) other receivables	10,082,313.04	37,852,516.43	10,075,654.38
3) Receivables from customers		65,886.98	188,995.71
of which:			
financial services institutions		4,912.88	163,007.01
4) Securities held for trading		1,019,281.85	3,112,803.88
5) Investments		124,999.00	385,711.00
6) Intangible assets			
a) acquired concessions, industrial property rights and similar rights and assets, including licences for such rights and assets		184,979.00	300,496.00
7) Tangible fixed assets		154,246.06	134,486.00
8) Other current assets		475,743.66	380,032.15
9) Prepaid and deferred expenses		29,952.44	89,812.72
10) Deferred tax assets		34,358.22	36,884.09
Total assets		40,097,313.65	38,832,669.62



BALANCE SHEET AS AT 31 DECEMBER 2011

BALANCE SHEET: LIABILITIES AND EQUITY

Tradegate AG Wertpapierhandelsbank as at 31 December 2011

	in € 2011	in € 2011	in € 2011	in € 2010
1) Liabilities to banks				
a) due daily		429,657.55	429,657.55	1,358,162.67
2) Liabilities to customers				
a) due daily				
b) with agreed maturity or notice period			412,349.39	688,937.34
of which:				
financial services institutions		11,741.31		126,317.47
3) Securities held for trading			258,492.20	1,952,258.64
4) Other liabilities			852,942.99	1,101,398.33
5) Prepaid and deferred expenses			71,754.53	10,000.00
6) Deferred tax liabilities			11,206.10	11,317.83
7) Provisions and accruals				
a) tax provisions		912,228.71		506,731.26
b) other provisions		786,898.47	1,699,127.18	1,262,592.56
8) Fund for general banking risks			4,248,658.29	1,805,127.77
of which: according to § 34e IV HGB	4,248,658.29			1,805,127.77
9) Equity capital				
a) subscribed stock	24,554,304.00			24,282,354.00
own shares	- 29,003.00	24,525,301.00		- 30,082.00
b) capital reserves		3,730,098.88		2,509,171.04
c) revenue reserves				
ca) statutory reserves		1,516,343.22		1,516,343.22
cb) reserves for shares in a controlling company		-		878.64
cc) other revenue reserves		86,064.61		65,268.32
d) net profit		2,255,317.71	32,113,125.42	1,792,210.00
Total liabilities and equity			40,097,313.65	38,832,669.62



INCOME STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2011

INCOME STATEMENT

Tradegate AG Wertpapierhandelsbank from 1 January to 31 December 2011

	in € 2011	in € 2011	in € 2011	in € 2010
1. Interest earned from				
a) credit and financial market business		291,923.96		171,884.57
2. Interest paid		- 92.16	291,831.80	- 214.95
3. Commissions received		2,383,441.87		3,330,023.20
4. Commissions paid		- 1,783,164.63	600,277.24	- 1,862,278.40
5. Net earnings from securities held for trading			24,435,305.22	18,051,277.69
6. Other operating profits			922,713.73	856,499.70
7. General administration expenses				
a) personnel expenses				
aa) wages and salaries	- 6,932,694.81			- 5,564,445.17
ab) social security payments and expenses for retirement provisions	- 884,422.04	- 7,817,116.85		- 799,774.79
of which: € 311.62 for retirement provisions				42,443.62
b) other administration expenses		- 11,145,743.24	- 18,962,860.09	- 9,660,262.88
8. Write-offs and value adjustments on intangible assets and tangible fixed assets			- 204,415.25	- 267,058.56



INCOME STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2011

	in € 2011	in € 2011	in € 2011	in € 2010
9. Other operating expenses			- 25,238.83	- 27,854.42
10. Write-offs and value adjustments on receivables and certain securities and on allocations to provisions and accruals in the credit business		- 4,165.00	- 4,165.00	- 10,000.00
11. Write-offs and value adjustments on participatory investments, shares in affiliated companies and securities treated as assets		- 260,712.00	- 260,712.00	-
12. Result from ordinary activities			6,792,736.82	4,217,795.99
13. Allocation to fund for general banking risks			- 2,443,530.52	- 1,805,127.77
14. Taxes on income and profit			- 2,170,864.61	- 1,274,564.00
of which: deferred tax expenses				- 331,886.30
15. Net income for the year			2,178,341.69	1,138,104.22
16. Profit brought forward			76,097.38	125,665.26
17. Withdrawals from revenue reserves				
a) from reserves for shares in a controlling company			878.64	529,319.16
18. Allocations to the revenue reserves				
b) to reserves for shares in a controlling company			-	- 878.64
19. Net profit			2,255,317.71	1,792,210.00



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 2011 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 9 June 2011.

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 €.

In accordance with the principles of the German Commercial Code, Tradegate AG Wertpapierhandelsbank is included in the group consolidated financial statements of its parent company, the Berliner Effektengesellschaft AG. The group financial statements are published in the Electronic Federal Gazette.

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 "fixed-interest securities and government ledger bonds", "equities and other non fixed-interest securities" and "securities held for trading". When stating profits/expenses, in the case of securities we distinguish between stocks for trading, stocks in 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.

Securities held for trading are valued at the fair value minus a deduction for risk. The fair value is equivalent to the market price. If there is no active market by which a market price can be identified then the fair value is determined using generally accepted valuation methods. If the fair value cannot be determined either on an active market or by accepted valuation methods then the acquisition or production costs are used. The company has valued the securities with the help of market prices. In some categories market prices from active markets are not available. On the reporting date this is usually accompanied by a fair value of nil, so they can be written off completely. Accepted valuation methods were not applied. The deduction for risk is calculated according to the amount of unrealised reserves at the balance sheet date. Thus the deduction made for risk allows for the probability of default in realisable profits.

Securities that are treated as fixed assets and securities in the liquidity reserve are not included in the balance sheet.

With the coming into effect of the Accounting Law Modernisation Act own shares are no longer shown under assets in the balance sheet but must be deducted from the equity capital. The acquisition costs are deducted from the subscribed capital to the amount of the invoicing value. The difference between the invoicing value and the acquisition costs of own shares must be deducted from the free reserves available. The proceeds from the sale are added to the subscribed capital up to the amount of the invoicing value. Any amount exceeding the invoicing value is added to the free reserves up to the amount of the sum charged at the time of purchase. Any proceeds in excess of this are allocated to capital reserves.

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 the end of 2007 and as of business year 2010, low-value fixed assets were written off in full in the year of acquisition and booked out. The low-value assets acquired in 2008 and 2009 were written off over five years according to tax rules, starting in the year of acquisition.

Deferred tax assets and liabilities result from different valuations of a balance sheet asset or liability and its respective taxable value. This results in probable income tax reliefs or expenses (temporary differences) in the future. These were valued at the income tax rate expected to apply in the period in which they are realised and which is valid at the reporting date. The average income tax rate for the Tradegate AG Wertpapierhandelsbank is 30.39%.

Liabilities, as far as they are interest bearing, are stated at their repayment amount. Amounts payable from uncovered short sales of securities are shown under the new item "securities held for trading" at fair value plus a risk premium. The risk premium is generated along the same lines as the deduction for risk for trading assets.

We have formed provisions and accruals for taxes, contingent liabilities and impending losses from pending transactions on the basis of reasonable commercial judgement to the amount of their probable utilisation. Provisions were also made for pending name-to-follow transactions. Provisions with a maturity of more than one year are discounted at the average market rate of the last seven years corresponding to the remaining term.

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



NOTES TO THE ANNUAL FINANCIAL STATEMENTS 2011

Currency exchange

The valuation of assets and debts denominated in foreign currency has been made in accordance with the provisions of § 340h in conjunction with § 256a 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 at their closing price in € on a German stock exchange as at 31 December 2011. In the case of securities held in the liquidity reserve the principle of lower of cost or market was applied.

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 applicable on the foreign exchange market at the balance sheet date.

B. NOTES TO THE BALANCE SHEET**Classification of remaining terms**

The classification of remaining terms is as follows:

	in € 2011	in € 2010
Other receivables from banks		
a) up to three months	10,082,313.04	10,075,654.38
	10,082,313.04	10,075,654.38
Receivables from customers		
a) indefinite time period	65,886.98	188,995.71
	65,886.98	188,995.71
Liabilities to customers		
a) due daily	412,349.39	688,937.34
	412,349.39	688,937.34

Receivables from and liabilities to affiliated companies

	in '000€ 2011	in '000€ 2010
Classification according to balance sheet item		
Receivables:		
other current assets	3	-
Total	3	-
Liabilities:		
other liabilities	240	99
Total	240	99



NOTES TO THE ANNUAL FINANCIAL STATEMENTS 2011

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€ 2011	in '000€ 2010
Assets	825	1,732
Debts	222	634

Securities marketable on the stock exchange

	in '000€ 2011	in '000€ 2010
Listed on a stock exchange		
Securities held for trading	934	3,027
Not listed on a stock exchange		
Securities held for trading	7	8
Investments	0	261

With the exception of shares to the book value of € 78,000 (last year € 78,000), all securities held are marketable on the stock exchange.

Securities held for trading (assets 4)

On the assets side of the balance sheet at the reporting date, the item securities held for trading contains only shares and other non fixed-interest securities. The deduction for risk for the securities held for trading shown under assets was made to the amount of € 34,000 (last year € 102,000.)



NOTES TO THE ANNUAL FINANCIAL STATEMENTS 2011

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 31.12.2011	Residual book value last year
in €								
Financial assets								
Investments	635,709.00	-	-	-	510,710.00	260,712.00	124,999.00	385,711.00
Total financial assets	635,709.00	-	-	-	510,710.00	260,712.00	124,999.00	385,711.00
Intangible assets								
Software	1,842,010.59	3,009.51	-	-	1,660,041.10	118,526.51	184,979.00	300,496.00
Total intangible assets	1,842,010.59	3,009.51	-	-	1,660,041.10	118,526.51	184,979.00	300,496.00
Tangible fixed assets								
Business and office equipment	3,874,379.63	105,554.99	44,392.45	-	3,781,623.17	85,888.74	153,919.00	134,486.00
Prepayments on assets and assets under development	-	327.06	-	-	-	-	327.06	-
Total tangible fixed assets	3,874,379.63	105,882.05	44,392.45	-	3,781,623.17	85,888.74	154,246.06	134,486.00
Total assets	6,352,099.22	108,891.56	44,392.45	-	5,952,374.27	465,127.25	464,224.06	820,693.00

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 of € 207,000 (last year € 230,000) from the tax authorities for corporate tax credits. The amount of € 34,000 (last year € 17,000) is also included for receivables from invoices submitted plus a further € 231,000 (last year € 133,000) in deferred income from services performed but not yet charged.

Deferred tax assets

The deferred tax assets were formed on the difference between the higher valuations of fixed assets in the tax statement and the balance sheet.

Liabilities to banks

This balance sheet item primarily contains liabilities from amounts payable for the use of settlement services of a bank for € 365,000 (last year € 1,048,000).

Securities held for trading (liabilities 3)

At the reporting date, on the liabilities side of the balance sheet the item securities held for trading shows only liabilities arising from short selling of securities and other non fixed-interest securities. Tradegate AG Wertpapierhandelsbank engaged in short selling securities in its role as order book manager and specialist. The deduction for risk for the securities held for trading under liabilities amounts to € 5,000 (last year € 32,000).



NOTES TO THE ANNUAL FINANCIAL STATEMENTS 2011

Other liabilities

Other liabilities contain those items which cannot be subsumed under other balance sheet items on the liabilities side. Of the € 853,000 (last year € 1,101,000), € 536,000 (last year € 917,000) relate to liabilities and accruals and deferrals based on deliveries and services, € 85,000 (last year € 85,000) to income tax not yet paid and € 232,000 (last year € 99,000) to sales tax to be paid to the parent company.

Deferred tax liabilities

The deferred tax liabilities were formed on the difference between the higher valuations of provisions in the balance sheet and the tax statement.

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 or earlier. The classification of the other provisions and accruals can be seen in the following table:

	in '000€ 31 · 12 · 2011	in '000€ 31 · 12 · 2010
Provisions and accruals for		
Securities settlement services	195	51
Personnel costs	154	615
Rebuilding costs	128	123
Cost of annual financial statements	110	101
Impending losses from settlement agreement	37	37
Advisory and auditing services	28	23
Additional rental expenses, electricity	26	18
Contributions to associations	15	18
Cost allocation of bank supervision	0	190
Other expenses	94	87
Total	787	1,263

Fund for general banking risks

According to § 340e IV HGB, the company is obliged to put ten percent of the net earnings from the securities held for trading into the fund for general banking risks. The position may be closed in order to balance net losses of the securities held for trading or if it exceeds fifty percent of the average net earnings of the last five years.

In line with this regulation, on 31 December 2011 an amount equal to the size of the balance sheet disclosure of € 2,443,530.52 (last year € 1,805,127.77) was allocated to the fund.

Capital stock / subscribed stock

As at 31 December 2011, the subscribed stock amounted to a total of € 24,554,304 before deduction of own shares. The capital stock of the corporation is thus divided into 24,554,304 nominal shares. The largest shareholder and parent company in terms of § 290 HGB is the Berliner Effektengesellschaft AG, which is also the highest-level parent company in the group.

During the year 271,950 shares were issued for the purpose of subscription to shares in the stock option programme. At the reporting date the Tradegate AG Wertpapierhandelsbank holds 29,003 own shares with an accounting value of € 29,003.

Approved capital

On the basis of the resolution of the shareholders' meeting on 31 March 2006, the managing board, with the consent of the supervisory board, was authorised to increase the subscribed capital of the company until 30 March 2011, 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. This authorisation was not used during the business year.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS 2011

On the basis of the resolution of the shareholders' meeting on 16 June 2011, the managing board, with the consent of the supervisory board, was authorised to increase the capital stock of the company until 15 June 2016, once or more than once, by issuing individual stocks against cash or non-cash contribution up to the amount of € 12,141,177.00, thereby setting an alternative date for the beginning of profit sharing from that set down by law. This authorisation was not used during the business year.

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 managing board, with the consent of the supervisory board, was 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. At the shareholders' meeting on 20 June 2008 the existing authorisation was cancelled insofar as it exceeds the amount of € 991,000.00. Claims resulting from option rights issued to employees in 2007 and 2008 can be expected until March 2012 and 2013 respectively.

Following the resolution of the shareholders' meeting on 20 June 2008, the managing 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.

From 2007 through to 2011 the Tradegate AG Wertpapierhandelsbank has issued stock options for the employees of Tradegate AG Wertpapierhandelsbank and the Berliner Effektengesellschaft AG. In 2011 the employees were offered 400,000 option rights, of which 2,400 have been forfeited due to employees leaving. 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.

Under the terms of the above authorisations the following option rights existed at the balance sheet date:

	in € 2007	in € 2008	in € 2009	in € 2010	in € 2011
Year of assignment					
Contingent capital	2006	2006	2008	2008	2008
Exercise period	15.2.9 - 14.2.12	1.3.10 - 31.3.13	4.3.11 - 4.3.14	19.3.12 - 19.3.15	8.3.13 - 7.3.16
Strike price	5.20€	4.70€	4.58€	6.00€	6.00€
Exercise hurdle	5.19€	4.69€	4.60€	6.00€	6.00€
Options offered	496,500	500,00	500,000	483,000	400,000
Options accepted	496,500	500,00	497,000	483,000	400,000
Value of option right upon issue	0.77€	0.11€	0.12€	0.33€	0.20€
Stock at 1 · 1 · 2011	439,050	394,096	487,500	482,000	-
newly issued options	-	-	-	-	400,000
forfeited options	1,000	1,000	3,000	1,000	2,400
exercised options	31,450	104,500	136,000	-	-
expired options	-	-	-	-	-
Stock at 31 · 12 · 2011	406,600	288,596	348,500	481,000	397,600
of which exercisable	-	288,596	348,500	-	-

The strike price of the options increases by 6 % per year of the validity period.



Capital reserves

An amount of € 1,182,288.00 from the purchase of shares from the stock option programme was put into the capital reserve. Furthermore, the proceeds from the sale of own shares exceeded the acquisition costs by € 38,639.84, which also went into the capital reserve. At the reporting date the capital reserves totalled € 3,730,098.88.

Reserve for shares in a controlling or majority-holding company

Reserves for shares in the controlling or majority-holding company, the Berliner Effektengesellschaft AG, are to be reported in the balance sheet to the book value of the shares of the parent company. Since no shares in the Berliner Effektengesellschaft AG are reported in the assets at the balance sheet date, the reserves for shares in a controlling or majority-holding company to the amount of € 878.64 were written back to the net profit for the year.

Revenue reserves

Trading in own shares resulted last year in an increase of other revenue reserves of € 20,796.29.

The capital reserves and the statutory reserves make up more than 10 % of the subscribed stock in line with the requirements of § 150 II 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.

Own shares

In accordance with § 71 I Nr. 7 of the Companies Act, the company was authorised by resolution of the shareholders' meeting on 17 June 2010 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 16 June 2015. Trading may 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 2011, the authorisation to purchase own shares for the purpose of trading was utilised. The number of traded shares for each calendar month is shown in the table below. The shares were bought on the Tradegate Exchange. In 2011, 119,741 shares of Tradegate AG Wertpapierhandelsbank were purchased for the sum of € 695,250.66. 120,820 shares were sold resulting in revenue of € 755,765.79.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS 2011

		Shares purchased	Shares sold	Percentage of share capital
Month				
Opening stock		30,082		0.12
January	2011	1,652	- 2,290	0.01
February	2011	1,020	- 1,150	0.00
March	2011	4,490	- 3,640	0.02
April	2011	22,154	- 52,893	0.09
May	2011	12,853	- 12,690	0.05
June	2011	4,460	- 3,662	0.02
July	2011	37,583	- 7,763	0.15
August	2011	12,476	- 12,684	0.05
September	2011	13,709	- 12,550	0.06
October	2011	3,400	- 5,200	0.01
November	2011	2,694	- 2,800	0.01
December	2011	3,250	- 3,498	0.01
Total		119,741	- 120,820	0.49

C. EXPLANATIONS TO THE INCOME STATEMENT

Commission earnings and expenses

The commission earnings and expenses contain earnings and expenses that are invoiced during business operations for the use of financial services. The largest entries are the Specialist Service Fee and the broker's fees and costs from the exchange brokerage business (net € 1,401,000, last year € 1,833,000). Broker's fees and costs are booked pre-tax each trading day.

Net profit from securities held for trading

The profits and expenses from securities held for trading are earnings or losses from the purchase and sale of financial instruments, especially securities, which arise as a result of market price fluctuations. Write-offs on trading stocks are dealt with separately. Differences on name-to-follow transactions are also shown here. In the business year 2011 a profit of € 16,000 (last year € 0) was made from futures transactions. The results from foreign exchange positions arising in connection with trading stocks in securities are also included.

	in '000€ 2011	in '000€ 2010
Net result from securities trading	29,695	21,152
Net difference from name-to-follow transactions	1,304	2,870
Other net results	- 332	- 260
Profits from securities held for trading	256	166
Commission expenses from securities trading	- 6,488	- 5,877
Total	24,435	18,051



NOTES TO THE ANNUAL FINANCIAL STATEMENTS 2011

Other operating profits

The position other operating profits contains items which are not related directly to the actual business. The most important positions are shown in the following table.

	in '000€ 2011	in '000€ 2010
Item		
Cost allocation other companies	448	437
Cost allocation affiliated companies	142	182
Release of provisions	6	139
Proceeds from transfer of rights	222	52
Accrued interest on corporate tax credit	12	12
Other	93	35
Total	923	857

€ 31,000 of the other operating profits belong to other accounting periods (last year € 139,000).

Expenses in other accounting periods

The position other administration expenses contains € 43,000 from other accounting periods for contributions made towards banking supervision (last year € 174,000).

Taxes

The income and profit taxes pertain to taxes for previous years arising from normal business activities, plus estimated taxes and provisions for 2011. Allocations and reversal of deferred taxes are included here, too. For the reporting period 2011 the additions to provisions for anticipated tax prepayments amount to € 868,000 (last year € 507,000). A tax refund of € 6,000 (last year € 23,000) for other reporting periods was accounted for in the income statement.

D. OTHER INFORMATION**Shareholdings**

Unless otherwise stated, the following information refers to 31 December 2011 and the business year 2011.

	in %	in €
Tradegate Exchange GmbH, Berlin		
Nominal capital		500,000.00
Shareholding	25.0	124,999.00
Equity capital		883,403.41
Profit for the year		310,725.99



NOTES TO THE ANNUAL FINANCIAL STATEMENTS 2011

Other financial obligations

Obligations of € 1,345,000 (last year € 2,341,000) exist for rental, leasing and servicing contracts. They relate mainly to rental contracts for office premises valid until 31 December 2012.

The Tradegate AG Wertpapierhandelsbank has taken guaranteed credits with the quirin bank AG and the Delbrück Bethmann Maffei AG. The total amount stands at € 2,946,000 (last year € 2,946,000). 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 last year
Average of the year				
Board members	1.0	4.0	5.0	5.0
Traders	5.5	38.3	43.8	42.6
Other employees	15.0	21.3	36.3	29.4
Maternity/parental leave	1.8	-	1.8	1.3
Trainees	-	-	-	0.5
Student trainees	-	3.0	3.0	1.5
Total	23.3	66.5	89.8	80.3
of which part-time employees (headcount)	7.5	7.0	14.5	8.8
of which part-time employees (in terms of full-time positions)	5.7	4.2	9.9	6.2
As at 31 December 2011				
Board members	1	4	5	5
Traders	5	39	44	43
Other employees	15	22	37	31
Maternity/parental leave	2	-	2	2
Trainees	-	-	-	-
Student trainees	-	3	3	3
Total	23	68	91	84
of which part-time employees (headcount)	7	7	14	11
of which part-time employees (in terms of full-time positions)	5.3	4.1	9.4	7.3



NOTES TO THE ANNUAL FINANCIAL STATEMENTS 2011

Corporate bodies of the Tradegate AG Wertpapierhandelsbank

Listed below, in accordance with § 285 X HGB, are the members of the managing board and the supervisory board as at 31 December 2011.

Members of the Managing Board

Thorsten Commichau, Board Member, IT, Berlin
 Jörg Hartmann, Board Member, Domestic Trading, Berlin
 Klaus-Gerd Kleversaat, Board Member, Private Banking, Berlin
 Holger Timm, Chairman of the Board, Berlin
 Kerstin Timm, Board Member, International Trading, Berlin

Members of the Supervisory Board

Prof. Dr. Jörg Franke, Frankfurt am Main (Chairman) / Member of several supervisory boards
 Frank-Uwe Fricke, Berlin (as of 16 June 2011) / Member of the Board of EuroChange Wechselstuben AG
 Karsten Haesen, Berlin / Member of the Board, Ventegis Capital AG
 Wolfgang Hermann, Berlin (until 16 June 2011) / Businessman
 Dr. Andor Koritz, Berlin (Deputy Chairman) / Lawyer
 Rainer Riess, Frankfurt am Main / Managing Director Market Development, Deutsche Börse AG
 Pamela Schmidt-Fischbach, Nürnberg / Director Legal Department, Cortal Consors S.A., German branch, Nürnberg

Remuneration of board members

The members of the managing board received remuneration of € 1.466,000 from Tradegate AG Wertpapierhandelsbank of which € 500 was for benefits from group accident insurance. The supervisory board received remuneration of € 57,000 including value-added tax.

Fees paid to Dohm Schmidt Janka Revision und Treuhand AG Wirtschaftsprüfungsgesellschaft (accounting firm) according to § 285 XVII HGB

In 2011 Tradegate AG Wertpapierhandelsbank made the following payments to Dohm Schmidt Janka Revision und Treuhand AG Wirtschaftsprüfungsgesellschaft, Berlin, and recorded the following expenses:

	in '000€ Payments	in '000€ Expenses
For the annual audit	70	70
For other accounting and evaluation services	28	33
Total	98	103

Last year's payments and expenses were as follows:

	in '000€ Payments	in '000€ Expenses
For the annual audit	71	68
For other accounting and evaluation services	19	19
Total	90	87



Proposed appropriation of profit

At the Annual General Meeting the managing board will suggest using the accumulated profit of the year 2011 for a dividend of € 0.08 per share to be paid on the day of the shareholders' meeting. The remaining amount of the accumulated profits shall be carried forward to new account.

Berlin, 28 February 2012

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 2011

1. FOREWORD

The structure of the management report follows primarily the rules adopted by the German Accounting Standards Committee e.V. which are 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 practise banking and financial services businesses. The full extent of the licence can be seen on the Federal Financial Supervisory Authority's website. From the company's point of view the important elements of the licence are:

deposit banking (section 1 subsection 1 clause 2 No. 2 KWG [German Banking Act])
lendings business (section 1 subsection 1 clause 2 No. 1 KWG)
financial commission business (section 1 subsection 1 clause 2 No. 4 KWG)
custody business (section 1 subsection 1 clause 2 No. 5 KWG)

investment banking (section 1 subsection 1 clause 2 No. 10 KWG)
investment brokerage (section 1 subsection 1a clause 2 No. 1 KWG)
investment advice (section 1 subsection 2a clause 2 No. 1a KWG)
own-account trading (section 32 subsection 1a KWG)
own-account trading for others (section 1 subsection 1a clause 2 No. 4 KWG)

In the course of its business the company acts as an order book manager and Market Specialist on the Frankfurt and Berlin stock exchanges. It has further admissions to listing on the stock exchanges in Munich, Stuttgart, Hamburg, Hannover and Düsseldorf and is a designated sponsor on XETRA®. For several years the focus of trading activity has been on looking after financial instruments (shares and ETFs) as a Market Specialist on the TRADEGATE EXCHANGE. TRADEGATE EXCHANGE is operated by Tradegate Exchange GmbH, Berlin, of which at the balance sheet date the company holds just under 25% of the shares. The operating company is run as a "joint venture" together with the majority shareholder, Deutsche Börse AG.

The company provides continuous bid and ask prices on several exchanges for around 6,000 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 turnover, known as the broker's commission. In May 2011 the market model of the Frankfurt Stock Exchange was changed; the former order book managers now operate as Market Specialists with the result that a broker's commission is no longer charged. A significant source of earnings for the company is the financial result which arises from the calculated spread between the purchase and selling of a position. On electronic exchanges or markets such as XETRA® or TRADEGATE EXCHANGE, and now also the Frankfurt Stock Exchange, no broker's commission is charged and earnings are determined by the financial/trading result arising from purchases and sales. Since the business is volume-driven, the company tries to reach as many customers as possible with its prices. Mid or long term risk positions in proprietary trading are not intended and are not part of the business concept. Long-term own holdings are, therefore, always and exclusively part of the liquidity management of the company and at the discretion of 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 activity as Market Specialist on 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 and is the director of the Tradegate Exchange GmbH. The 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, personnel, compliance and law, operative credit, auditing and prevention of money laundering, and accounting including controlling and regulatory reporting.

2.2 Competitive position, goals and strategy

The trading platform TRADEGATE®, developed and operated since 2000, was launched in Germany and Europe as a new stock exchange in 2010. The TRADEGATE EXCHANGE now stands in direct competition with comparable exchanges, in particular the seven German floor exchanges. TRADEGATE EXCHANGE'S continued success is important for the company because up to 95% of all transactions and up to 86% of earnings result from trading as a Specialist for shares and ETFs on the TRADEGATE EXCHANGE. In order to secure and improve the lasting success and future growth of the TRADEGATE EXCHANGE, the operator, Tradegate Exchange GmbH, has been run as a joint venture together



with the majority shareholder, the Deutsche Börse AG, since 2010. Following an increase in 2010 of ca. 31 % in the number of trades in equities on the TRADEGATE EXCHANGE, 2011 exceeded all expectations with a growth of 76.58 % and over 5.5 million single transactions. Since all relevant competitors could not record similar gains, TRADEGATE EXCHANGE'S market share in equity trading reached up to 51 % compared with the seven other regional exchanges in Germany. With regard to the market segment equity trading, TRADEGATE EXCHANGE has positioned itself as by far the leading trading platform for private investors in Germany.

In 2011 the TRADEGATE EXCHANGE gained several new customers who have made a significant contribution to the considerable increase in turnover and market share.

Besides its activity as a Specialist on the TRADEGATE EXCHANGE the company will continue to act as order book manager on the Berlin Stock Exchange and as Market Specialist on the Frankfurt Stock Exchange. The transfer in 2011 of the activity order book management for securities on the Frankfurt Stock Exchange to a different trading system (XETRA 2), plus a new trading model, caused difficulties at the beginning, which have probably led to initial financial losses for all former order book managers and today's Market Specialists. However, the company expects that the Frankfurt market model will be further modified and improved in the year 2012 and that in future it will play an important part in the company's range of services. All things considered, the company's activities on the TRADEGATE EXCHANGE and the Frankfurt and Berlin stock exchanges complement one another very well, as all three exchanges have different strengths and weaknesses and are tailored to different customer needs.

Although the company has expanded its scope of business by beginning operations as a universal bank, it will continue to concentrate its core competence on securities trading in shares and ETFs. The expected increase in turnover on the TRADEGATE EXCHANGE and the continued activity as a Specialist and order book manager on the Frankfurt and Berlin stock exchanges should enable the company to secure the required number of transactions for a profitable business in the years to come.

2.3 Business development and general conditions

The general market conditions for securities trading companies, especially in trading with private investors, did not improve in 2011. The number of shareholders in Germany remains very low and apart from during unusual market volatility, e.g. because of the catastrophe in Fukushima, private investors did not increase their trading activity. The increased competition among the remaining securities trading firms and trading platforms/exchanges for too little business has led to a fall in the gross margin per trade and in the medium term will certainly allow only a few companies to achieve profitable business operations, so that a further market shakeout is to be expected.

Business development in 2011 was very mixed. In 2010, for the first time, a profitable business result could be achieved in all twelve months of the year but in three months of 2011, June, September and November, the figures showed a slight loss. On the positive side, the months of March (due to the catastrophe in Fukushima) and August (because of the Euro crisis) produced extremely high turnover and profit. On the whole a very respectable increase in turnover was achieved, thanks to the company again gaining considerable market share. The overall increased liquidity on the TRADEGATE EXCHANGE and a shift in the focus of private investors' trading activity towards very liquid leading equities, such as Commerzbank, led to a substantial reduction in the gross margin over the year.

Following last year's 25.4 % increase in the number of contract notes coming from order book management on the Frankfurt and Berlin stock exchanges, there was a drop of about 8 % in 2011 to 408,507. Obviously, the further loss of market share by the traditional exchanges to electronic exchanges or trading systems such as XETRA or TRADEGATE EXCHANGE is the reason for this decline. The change of the market model on the Frankfurt exchange in May 2011 has not yet been able to stop the downward trend.

In contrast, for the tenth year running, the number of transactions on the TRADEGATE EXCHANGE could be increased substantially in 2011. In trading with shares and ETFs the company achieved an increase of 76.58 % to reach 5,501,650 transactions. The average trading volume of individual share trades also rose from € 5,443.00 to € 5,761.00. Overall, in its role as Specialist on the TRADEGATE EXCHANGE the company increased its 2011 trading volume for shares and ETFs by an above-average 87 % from 16.96 billion € in 2010 to around 31.7 billion €.

The continued transfer of business interest onto the TRADEGATE EXCHANGE has proved to be the right decision for the company, insofar as dormant or unprofitable securities on the Frankfurt or Berlin stock exchanges were dropped or delisted and further securities were added to the list of shares quoted on the TRADEGATE EXCHANGE. The number of securities the company looks after in its role as order book manager on the Berlin Stock Exchange fell drastically from 8,536 to 4,826. In the course of the market conversion on the Frankfurt exchange the number of securities looked after there as Market Specialist also fell from 1,260 to 948. On the other hand, the number of securities looked after on the TRADEGATE EXCHANGE increased from 5,635 to 6,001.



The number of employees in the company increased slightly in 2011. There were thirteen new-comers (three of which in other companies of the group) and six leavers. At the end of the year there were 91 people employed at the Tradegate AG Wertpapierhandelsbank. The age structure changed slightly due to the new appointment of young employees in the trading and IT departments. The average age is about 39.3 (last year 38.6) with most people in the age group from 31 to 40. The average job tenure is 8.7 years (last year 8.6 years). More than half the employees have been with the company for ten years or more. 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. by 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. Apart from their fixed monthly salary, the employees and board members of the company receive variable remuneration. The total volume of the variable remuneration depends on the company's profit reported under commercial law and is determined on a quarterly basis. The amount received by each employee or board member is calculated by means of several criteria, for example position in the company, length of service, special tasks etc.

In the past business year no large new investments were made; only the usual extension or renewal of existing IT-systems was carried out. 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 incurred for administration and maintenance just to comply with all stock market and legal regulations is very high. These costs rose even further with the start of operations as a universal bank in 2009. This becomes particularly clear when one looks at the sharp increase in the fees paid to the Federal Financial Supervisory Authority (BaFin) for the supervision of securities trading. Apart from its considerable fees, which have increased largely due to the financial crisis (2008: 82 million €, 2012 estimated 150 million €), the Supervisory Authority has in our opinion inappropriately transferred the company to a different fee schedule due to the extension of our licence to include the universal bank business, and this has led to an extreme cost burden. As a securities trading bank the yearly costs for the supervision of securities trading lay between 30,000 € and 50,000 €. These costs have now developed as follows: 2008: 312,000 €, 2009: 473,500 €, 2010: 712,275 €, estimate for 2011: 712,000 €, notice of advance payment due for 2012: 972,362 €. This means that at the moment the company is burdened with 5.06 % of the fees of all banks for the supervision of securities trading, although the increased supervisory costs have been caused primarily by stricter requirements for consultation records etc. and not by order book managers or Specialists. At worst, this systematic mistake in the BaFin's fee schedule could lead to a situation where up to 50 % of the supervisory costs, which are caused by several thousand banks, are shouldered by just a few companies who as Specialists process all securities transactions on the German exchanges. The company has therefore filed an objection against all the BaFin's final assessment notices and at the moment is in the middle of administrative court proceedings for 2008.

In view of the continued difficult market environment and the increase in general administrative costs, the result of € 6.793 million (+61 %) from normal business activities can be considered as very positive. In line with § 340e IV HGB (Commercial Code) the company has for the second year allocated 10 % of the average trading result of the last five years to the fund for general banking risks. In 2011 this reserve allocation amounted to € 2.444 million, in 2010 € 1.805 million. Following the allocation to the fund the net assets rose by 91 % to € 2.178 million after tax.

3. DEVELOPMENT OF ASSETS, FINANCIAL POSITION AND RESULTS

The net assets position of the Tradegate AG Wertpapierhandelsbank remains marked by relatively high liquidity and good equity base. Alongside securities held for trading the receivables from banks represent the largest position on the assets side. Under investments the company shows a holding of 25 % minus one share in the Tradegate Exchange GmbH. The investment in Skonto AG was written off in full as at 31 December 2011.

In the credit business, which is operated solely on the basis of Lombard loans, there have not yet been any loan agreements or use of loans. At the balance sheet date private customer deposits have diminished compared with last year, so that at 31 December 2011 the receivables from customers fell to € 412,000 compared with € 689,000 last year. These deposits are invested as deposits of an equivalent term at domestic banks or the German Federal Bank.

The development of assets during the last three years is shown in the following table.



MANAGEMENT REPORT OF THE TRADEGATE AG WERTPAPIERHANDELSBANK

	in '000€ 31 · 12 · 2009	in '000€ 31 · 12 · 2010	in '000€ 31 · 12 · 2011
Assets			
Cash reserve	1	648	155
Receivables from banks	29,790	33,555	37,853
Receivables from customers	497	189	66
Securities held for trading	1,835	3,113	1,019
Investments	261	386	125
Shares in affiliated companies	500	-	-
Intangible assets	107	301	185
Tangible fixed assets	271	134	154
Other current assets	576	380	476
Prepaid and deferred expenses	63	90	30
Deferred tax assets	-	37	34
Total assets	33,901	38,833	40,097

The liabilities of the company continue to be relatively low. The liabilities to banks include € 365,000 (last year € 1,047,000) for the utilisation of settlement services. On the liabilities side of the balance sheet the reported securities held for trading arise from short selling within the company's activity as Specialist and order book manager. Due to the reporting date they have decreased notably compared with last year. The other liabilities contain liabilities in the form of deliveries and services from the area of business operations, and liabilities for banking supervision. They have decreased compared with last year. The largest entries are the liabilities from services used and additional payments for banking supervision. The largest position in provisions and accruals is the tax provision of € 912,000 (last year € 507,000). As at 31 December 2011 the disclosed reserves held for contingencies in securities held for trading, which are shown under "fund for general banking risks" amount to € 4,249,000 (last year € 1,805,000). For banking supervision purposes, this fund is added to the core capital. The equity ratio rose slightly from 78 % to 80 %. The net assets together with the fund for general banking risks make for 91% of the balance sheet total (last year 82 %).

	in '000€ 31 · 12 · 2009	in '000€ 31 · 12 · 2010	in '000€ 31 · 12 · 2011
Liabilities			
Liabilities to banks	660	1,358	430
Liabilities to customers	80	689	412
Securities held for trading	567	1,952	259
Other liabilities	779	1,103	853
Prepaid and deferred expenses	35	10	72
Deferred tax	-	11	11
Provisions and accruals	1,737	1,769	1,699
Fund for general banking risks	-	1,805	4,249
Equity capital	30,043	30,136	32,113
Total liabilities	33,901	38,833	40,097



MANAGEMENT REPORT OF THE TRADEGATE AG WERTPAPIERHANDELSBANK

The liquidity position of the company is marked by high equity and its liquid investment. All liabilities due within one month stand against much higher amounts, also due in one month, deposited with banks. Customer deposits from private banking are due daily. Corresponding amounts of funds are held at domestic banks or the German Federal Bank. The Tradegate AG Wertpapierhandelsbank can call on additional liquid funds from Lombard loans held at the banks that clear its securities transactions.

The important positions in the financial statement are the commission income and the securities held for trading. The development of these components is the main deciding factor for the development of results. Last year the commission income fell from € 1,468,000 to € 600,000. The net earnings from securities trading activities are made up of the brokerage fee and the commission charged for the services as a Specialist on the Frankfurt Stock Exchange. They account for a significant part of the commission income and fell from € 1,833,000 to € 1,401,000. The most important factors influencing the net earnings of the securities held for trading are the results from the activity as Specialist, the net balance from name-to-follow transactions from order book management and costs for the settlement of transactions. Of lesser importance are the valuation result and the current earnings (dividends, interest) from those securities. The year 2011 was marked by the effects of the natural disaster in Japan and the Euro crisis. It began with a very good first quarter, followed by a comparatively weak second quarter. The third quarter was better due to the high market volatility in the course of the turbulent situation in countries in the south of the European Union. The year ended with a calmer fourth quarter with correspondingly fewer earnings.

In detail the most important factors in the net earnings from securities held for trading developed as follows: the net balance from name-to-follow transactions fell by 55 %. The reason for this was the conversion of the trading model on the Frankfurt Stock Exchange from order book management to specialist trading. During this change-over name-to-follow transactions were abolished. The net earnings from securities trading and the balance from realised gains and losses were increased significantly by € 8,504,000, 40 % (last year + € 4,902,000, 15.4%). The higher volume of transactions resulted in correspondingly higher costs for the clearing and settlement of trades. These costs climbed to € 5,877,000 in the previous business year and rose once again in 2011 to € 6,487,000.

General administration expenses rose considerably. As the operating results improved, bonuses were paid to employees so personnel costs rose by € 1,452,000. The development of the other administration expenses is influenced mainly by the increase of trading activity on TRADEGATE EXCHANGE and the connected expenses. In particular the expenses for information and trading systems and costs for the supervision of securities trading, which are dependent on the number of transactions or the volume traded, have risen dramatically. For 2011 tax provisions were made to the amount of € 868,000 (last year € 507,000).



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	in '000€ 2009	in '000€ 2010	in '000€ 2011
Income Statement			
Interest earned	223	172	292
Interest paid	- 6	-	- 0
Current profits	1	-	-
Commissions received	2,183	3,330	2,383
Commissions paid	- 873	- 1,862	- 1,783
Net earnings from securities held for trading	13,773	18,051	24,435
Other operating profits	1,125	856	923
General administrative expenses	- 13,705	- 16,024	- 18,963
Write-offs and value adjustments on intangible assets and tangible fixed assets	- 351	- 267	- 204
Other operating expenses	- 20	- 28	- 25
Write-offs and value adjustments on receivables and certain securities	- 53	- 10	- 4
Write-offs and value adjustments on participatory investments, shares in affiliated companies and securities treated as assets	-	-	- 261
Result from ordinary business activities	2,297	4,218	6,793
Allocation to fund for general banking risks	-	- 1,805	- 2,444
Income and profit taxes	- 91	- 1,275	- 2,171
Net profit/loss	2,206	1,138	2,178

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

- > Cost income ratio (CIR), expressed 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), expressed as a percentage: net profit for the year plus the amount allocated to the fund for general banking risks divided by equity capital
- > Earnings per share (EpS), expressed as a percentage: net profit for the year plus the amount allocated to the fund for general banking risks and the number of shares at the balance sheet dated divided by the number of shares



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	2009	2010	2011
CIR	91.9%	82.7%	75.7%
ROE	6.42%	9.77%	14.83%
EpS	0.091€	0.121€	0.188€

The drop in the cost income ratio is explained by the sharp increase in earnings. Since the expenses did not rise as sharply by comparison the ratio improved. The net income for the year plus the allocation to the fund for general banking risks increased considerably last year. The equity capital shown on the balance sheet, which does not include the fund for general banking risks, rose more slowly so that the return on equity increased correspondingly. As the number of shares went up only slightly when options were exercised, the improved result also became evident in the earnings per share.

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.

4. SUPPLEMENTARY REPORT

No significant events were reported after the balance sheet date.

5. RISK REPORT

5.1 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, an interim return and calculations for the Liquidity Regulation are prepared monthly, calculations for the Solvency Regulation and reports on any large loans and loans in millions are submitted quarterly. 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 Effktengesellschaft 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 in the reports. In the case of the financial holding group Berliner Effktengesellschaft AG, the company Ex-tra Sportwetten AG, Vienna, is included in the group accounts within the scope of a full consolidation and therefore not included in the report. No regulatory deduction of the book value is made in the report. The quirin bank AG and its subsidiaries are, according to commercial law, included in the IFRS group accounts at equity. For the purpose of regulatory reporting the bank only represents a shareholding of the Berliner Effktengesellschaft 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 58.30 and 70.64. 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.



MANAGEMENT REPORT OF THE TRADEGATE AG WERTPAPIERHANDELSBANK

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. The item intangible assets includes software and acquired assets. The group's capital resources consist exclusively of core capital. As at 31 December 2011 the capital resources were as follows:

	in '000 € Amount
Description	
Paid-in capital	13,868
Own shares	- 285
Capital reserves	31,558
Other reserves	11,412
Minority interests	9,187
Debit difference	- 8,536
Intangible assets	- 315
Core capital	56,889

The report for the financial holding group Berliner Effektengesellschaft AG is made according to the Solvency Regulation. Between January and December 2011 the total key reference figures of the Solvency Regulation at group level lay between 73.27 and 100.80.

5.2 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 exchanges 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, the significance of the trading system XETRA® and the European development following the coming into effect of MiFID (Markets in Financial Instruments Directive).

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 2011 and not adjusted during the course of the year.



5.3 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 2011 and the capital resources, an absolute upper loss limit for all transactions was set by the company's management board. One part of this upper loss limit was divided as a control limit between the trading areas overseas, domestic and Frankfurt am Main. Using these control limits, pending losses from open positions were limited. The pending losses are calculated from the value of the open position and the current value on the basis of a reference price. This reference price is determined on an ongoing basis and entered into the control system. In 2011 the 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 2011 no adjustments were made to the control limits for securities trading.

As another method of controlling risks from securities trading, option or future contracts are very occasionally traded on EUREX. In 2011 a separate risk limit was set for these contracts.

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.

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 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.

5.4 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.

The management of operational risks is the responsibility of each department head. They monitor the work processes and, if necessary, make interventions or adjustments. Part of the upper loss limit was reserved for operational risks based on the capital requirements according to the Solvency Regulation.



5.5 Other risks

The other risks include counterparty default risks and liquidity risks. The counterparty default risk is the danger that liabilities are fulfilled 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. The risks here are considered to be low as they 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.

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 3.02 and 22.81, 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.

5.6 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.

6. 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 2011. 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."



7. OUTLOOK

The company expects 2012 to be another solid business year for securities trading with private investors. Once again, it is possible that those share markets that are particularly important for our company might even benefit from unattractive interest rates and the uncertainties surrounding the government bonds of various debtor countries.

In 2012 the company will continue to explore every opportunity to connect new market participants to the TRADEGATE EXCHANGE and in doing so gain further market share. However, the possible growth rate will probably not be able to match the success of 2011. In January and February 2012 growth was ca. 25 %.

With regard to costs, the company will continue to implement considerable reductions in general administration costs thanks to its increased market share in several areas (e.g. data purchase, trade settlement). However, in other cost centres (e.g. share in the costs of the Financial Supervisory Authority) an increase is to be expected.

In the financial services industry the market shakeout will continue and only those few securities trading banks will remain that have reached the necessary critical mass with regard to equity capital and timely diversification of their business activities. Only when the urgently needed consolidation of the industry is completed will the current pressure on margins ease off. The chance of new competitors entering into the company's business field is considered to be unlikely because the build up of comparable structures requires many years of prior investment and does not promise quick profits for financial investors.

One of the biggest challenges in the history of the company will be the tax on financial transactions being discussed at the moment. Depending on its precise form, this may have a considerable effect on the company's total revenue and business model.

Berlin, 28 February 2012

Tradegate AG Wertpapierhandelsbank

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



AUDITORS' REPORT

In the German version of the annual report the auditors' report is printed here. This report confirms the unreserved validation by the Dohm Schmidt Janka Revision und Treuhand AG Wirtschaftsprüfungsgesellschaft (accounting firm), Berlin, of the annual financial statements of the Tradegate AG Wertpapierhandelsbank.



REPORT OF THE SUPERVISORY BOARD

LADIES AND GENTLEMEN,

In 2011 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 the execution of its business dealings. 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, comprising six members, did not form any other supervisory board committees.

Supervisory board tasks / meetings

In order to fulfil its tasks the supervisory board convened in 2011 for a total of four supervisory board meetings. One circular resolution was passed.

The main subjects of the meetings were the trading volume and development of earnings, the current risk situation of the company, the organisational and strategic development of the business, the increased financial burden from fees to be paid to the Federal Financial Supervisory Authority for the supervision of securities trading and possible alternative activities in the event of a financial transaction tax.

The managing board submitted conditions for an employee stock option scheme and the supervisory board gave its unanimous approval for the allocation of a total of 400,000 employee stock options. The options due to the managing board were allocated by the supervisory board.

In connection with the application of requirements for the Minimum Requirements for Risk Management (MaRisk) the supervisory board also discussed the company's business and risk strategy at every meeting during 2011.

The members of the supervisory board made sure that the managing board of the company took suitable measures and maintained a monitoring system whereby any developments endangering the continuity of the company could be recognised at an early stage (§ 91 Abs. 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 arising 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 2011 according to § 36 Abs. 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 § 312 of the Companies Act the managing board composed an additional report on business relations with affiliated companies. This report was submitted to the supervisory board together with the audit report compiled by the auditor. The auditor examined the report and awarded it the following auditor's certificate:

"We have received from the managing board the report on business relations with affiliated companies (dependant company report) compiled in accordance with § 312 of the Companies Act. We have examined this report according to § 313 Abs. 3 of the Companies Act and recorded our results in writing in a separate report.



REPORT OF THE SUPERVISORY BOARD

As there were no objections to the report of the managing board we have, in accordance with § 313, issued the following certificate dated 28 February 2012:

Having conducted a proper audit we hereby confirm that

1. the facts set out in the report are correct,
2. payments made by the company in connection with the legal transactions referred to in the report were not inappropriately high."

In the course of its own examination of the report on business relations with affiliated companies, the supervisory board found that no objections were to be made and concurred with the auditor's conclusion.

Annual financial statements 2011

The annual financial statements compiled by the managing board for the business year 2011, 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.

The supervisory board members received a copy of the audit report and the annual financial statements and discussed them at length with the responsible auditors in the meeting on 15 March 2012. The supervisory board examined the financial statements, the report of the managing board and its proposal for profit distribution. Based on this assessment, the supervisory board concurred with the auditor's conclusion.

According to the result of the final examination the supervisory board found that no objections were to be made and thus approved the annual financial statements compiled by the managing board. The supervisory board also agreed with the managing board's proposal for the use of the net profit for the year of € 2,255,317.71.

Personnel matters

During the business year the following changes were made in the composition of the supervisory board: on 16 June 2011 Mr. Wolfgang Hermann resigned from the supervisory board; Mr. Frank-Uwe Fricke was elected to the supervisory board with effect from the same day.

The supervisory board would like to thank the managing board and all employees for their great personal commitment and hard work during the year 2011.

Berlin, 15 March 2012

Professor Dr. Jörg Franke
Chairman of the Supervisory Board



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