



1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 **2012**

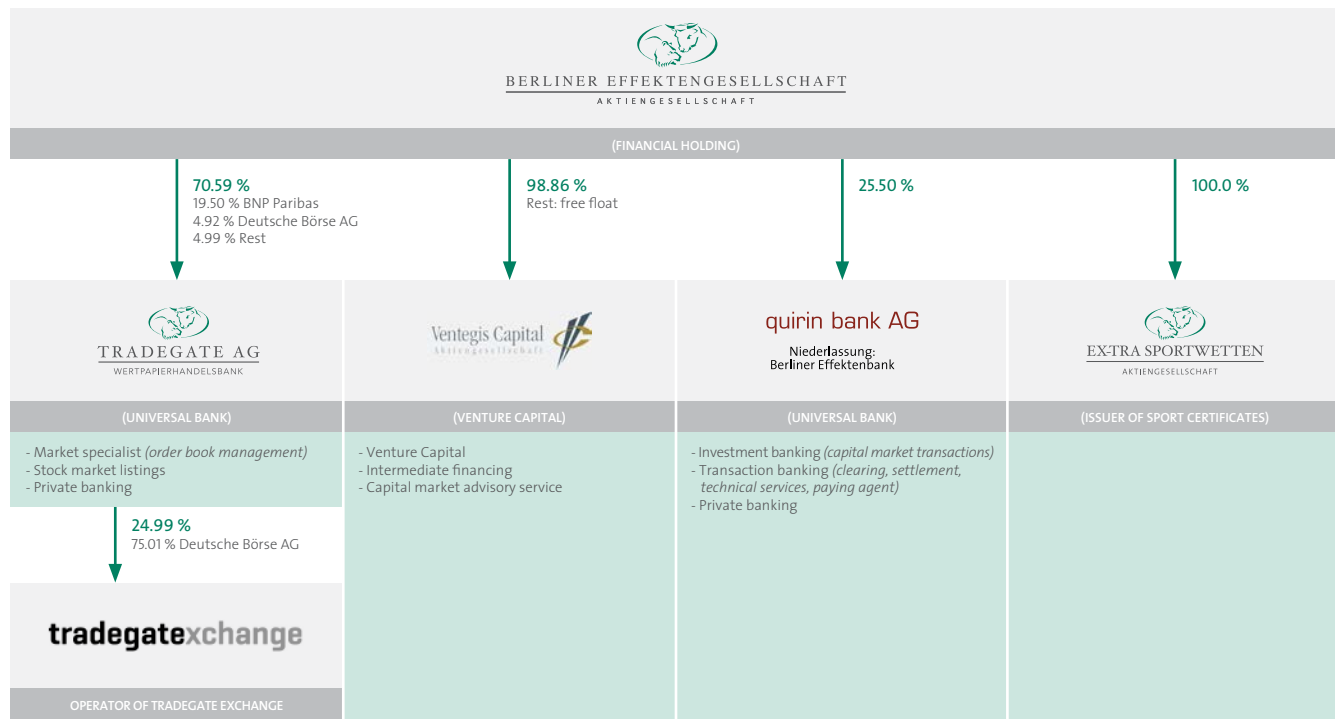
Berliner Effektengesellschaft AG Summarised Annual Report 2012



BERLINER EFFEKTENGESELLSCHAFT

AKTIENGESELLSCHAFT

GROUP STRUCTURE (31.12.2012)



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

SHAREHOLDERS' STRUCTURE AS AT 31 DECEMBER 2012

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

COMPANY DATA AS AT 31 DECEMBER 2012

Market capitalisation:	66,587,000 €
Number of shares:	13,872,337
Free float:	19.09% = 2,647,651
Financial accounting:	IFRS
Balance sheet total:	60,178,000 €
Number of employees:	96

KEY FIGURES AS AT 31 DECEMBER 2012

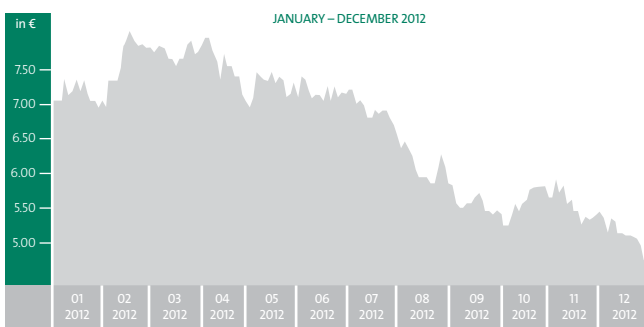
Result per share:	- 0.42 €
Dividend:	0.00 €
Interest surplus/gross profit:	2.4%
Commission surplus/gross profit:	- 28.7%
Trading result/gross profit:	130.6%
Cost/Income-Ratio:	121.4%
Equity ratio:	90.7%

KEY FIGURES AS AT 31 DECEMBER 2011

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

SHARE PRICE DEVELOPMENT

BERLINER EFFEKTENGESELLSCHAFT AG (WKN 522 130, ISIN DE0005221303)



“NET-ASSET-VALUE”

OF THE LISTED GROUP COMPANIES AND HOLDINGS OF THE BERLINER EFFEKTENGESELLSCHAFT AG AS AT 28 DECEMBER 2012

	Number of shares BEG holds 28 · 12 · 2012	Share price in Frankfurt 28 · 12 · 2012	Calculative value 28 · 12 · 2012
TradeGate AG	17,306,895	4.76 €	82,380,820 €
quirin bank AG	10,996,373	1.35 €	14,845,104 €
Ventegis Capital AG	3,528,651	4.00 € *	14,114,604 €
Number of BEG shares as at 28.12.2012			13,872,337
Calculative value of the three listed group companies/holdings 28.12.2012			111,340,528 €
Calculative value of each BEG share 28.12.2012			8.03 €
Price of the BEG share on 28.12.2012			4.80 €

MANAGING BOARD AND SUPERVISORY BOARD

As at: 01.05.2013

Managing Board
Holger Timm, Chairman
Karsten Haesen

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

CALENDAR OF EVENTS

20 June 2013 | 2 pm Annual General Meeting in Berlin
6 December 2013 | 5 pm Shareholders' Forum in Berlin



BERLINER EFFEKTEGESELLSCHAFT
AKTIENGESELLSCHAFT

GROUP FINANCIAL STATEMENT

08 ASSETS

09 EQUITY AND LIABILITIES

10 GROUP INCOME STATEMENT

GROUP MANAGEMENT REPORT

GROUP BALANCE SHEET: ASSETS BERLINER EFFEKTENGESELLSCHAFT AG, Berlin as at 31 December 2012	in € 31 · 12 · 2012	in € 31 · 12 · 2011	in € difference	in % difference
Cash reserves	157,536.22	159,808.12	- 2,271.90	- 1.4
Receivables from banks	35,863,067.32	43,489,241.32	- 7,626,174.00	- 17.5
Receivables from customers	1,182,287.95	766,816.57	415,471.38	54.2
Provision for risk	- 746,229.92	- 155,727.78	590,502.14	379.2
Trading assets	3,277,851.08	1,057,858.70	2,219,992.38	209.9
Investments and securities	4,946,596.48	8,645,435.03	- 3,698,838.55	- 42.8
Participatory investments in associated companies	10,357,446.86	10,923,585.99	- 566,139.13	- 5.2
Intangible assets	536,827.85	462,834.16	73,993.69	16.0
Tangible fixed assets	306,761.00	180,747.06	126,013.94	69.7
Income tax claims	3,146,999.76	2,696,404.04	450,595.72	16.7
Other assets	1,135,643.50	1,952,831.13	- 817,187.63	- 41.8
Deferred tax assets	13,512.99	17,919.18	- 4,406.19	- 24.6
Total	60,178,301.09	70,197,753.52	- 10,019,452.43	- 14.3



GROUP BALANCE SHEET: EQUITY AND LIABILITIES BERLINER EFFEKTEGESELLSCHAFT AG, Berlin as at 31 December 2012	in € 31 · 12 · 2012	in € 31 · 12 · 2011	in € difference	in % difference
Liabilities to banks	510,468.44	688,626.62	- 178,158.18	- 25.9
Liabilities to customers	758,552.49	412,349.39	346,203.10	84.0
Trading liabilities	970,297.22	248,780.86	721,516.36	290.0
Provisions and accruals	980,744.66	783,310.03	197,434.63	25.2
Tax on income	163,877.77	1,465,152.29	- 1,301,274.52	- 88.8
Other liabilities	2,146,890.36	1,860,922.04	285,968.32	15.4
Deferred tax liabilities	65,548.23	71,400.94	- 5,852.71	- 8.2
Equity capital	54,581,921.92	64,667,211.35	- 10,085,289.43	- 15.6
Minority interests	9,792,726.96	10,918,607.33	- 1,125,880.37	- 10.3
Subscribed stock	13,821,793.00	13,821,880.00	- 87.00	- 0.0
Capital reserves	33,715,107.02	33,641,408.06	73,698.96	0.2
Revenue reserves	2,719,578.69	1,962,324.60	757,254.09	38.6
Revaluation surplus	381,828.41	1,076,477.79	- 694,649.38	- 64.5
Group profit	- 5,849,112.16	3,246,513.57	- 9,095,625.73	- 280.2
Total	60,178,301.09	70,197,753.52	- 10,019,452.43	- 14.3



GROUP INCOME STATEMENT BERLINER EFFEKTEGESELLSCHAFT AG, Berlin from 1 January to 31 December 2012	in € 1 · 1 – 31 · 12 · 2012	in € 1 · 1 – 31 · 12 · 2011	in € difference	in % difference
Interest earned	415,668.65	599,103.15	- 183,434.50	- 30.6
Interest paid	- 19,957.26	- 20,593.33	- 636.07	- 3.1
Interest surplus	395,711.39	578,509.82	- 182,798.43	- 31.6
Net provision for risk in credit transactions	- 714,569.36	- 490,492.78	224,076.58	45.7
Interest surplus after provision for risk	- 318,857.97	88,017.04	- 406,875.01	-
Commissions received	1,354,359.42	2,716,729.45	- 1,362,370.03	- 50.1
Commissions paid	- 6,179,700.09	- 8,342,717.01	- 2,163,016.92	- 25.9
Commissions surplus	- 4,825,340.67	- 5,625,987.56	- 800,646.89	- 14.2
Result from hedge accounting	-	-	-	0.0
Income from trading transactions	62,094,628.12	87,475,261.40	- 25,380,633.28	- 29.0
Expenses from trading transactions	- 40,153,189.39	- 56,559,155.30	- 16,405,965.91	- 29.0
Trading result	21,941,438.73	30,916,106.10	- 8,974,667.37	- 29.0
Gross earning	16,797,240.09	25,378,135.58	- 8,580,895.49	- 33.8
Result from investments and securities (available-for-sale)	- 2,739,036.91	3,561,203.76	- 6,300,240.67	-
Result from investments (held-to-maturity)	-	-	-	0.0
Result from companies valued at-equity	- 424,487.47	- 1,137,201.54	- 712,714.07	- 62.7
Administration expenses	- 20,385,610.20	- 22,290,625.69	- 1,905,015.49	- 8.5
Operating result	- 6,751,894.49	5,511,512.11	- 12,263,406.60	-
Other operating profits	1,341,992.02	1,822,466.04	- 480,474.02	- 26.4
Other operating expenses	- 827,305.79	- 530,002.88	297,302.91	56.1
Other operating result	514,686.23	1,292,463.16	- 777,776.93	- 60.2
Result before tax	- 6,237,208.26	6,803,975.27	- 13,041,183.53	-
Taxes on income and profit	6,216.13	- 2,087,740.13	2,093,956.26	-
Result after tax	- 6,230,992.13	4,716,235.14	- 10,947,227.27	-
Profit / loss owed to shareholders outside the group	381,879.97	- 1,469,721.57	1,851,601.54	-
Group profit / loss for the year	- 5,849,112.16	3,246,513.57	- 9,095,625.73	-
Basic earnings per share	- 0.42	0.23	- 0.66	-
Diluted earnings per share	- 0.42	0.23	- 0.66	-



PROFIT APPROPRIATION	in € 1 · 1 – 31 · 12 · 2012	in € 1 · 1 – 31 · 12 · 2011	in € difference	in % difference
Group profit for the year	- 5,849,112.16	3,246,513.57	- 9,095,625.73	-
Profit / loss brought forward from last year	3,246,513.57	2,843,588.01	402,925.56	14.2
Dividend payment		-	-	0.0
Transfer from capital reserves	-	-	-	0.0
Transfer from revenue reserves	-	-	-	0.0
Allocations to revenue reserves	- 3,246,513.57	- 2,843,588.01	402,925.56	14.2
Group profit	- 5,849,112.16	3,246,513.57	- 9,095,625.73	-



MANAGEMENT REPORT OF THE BERLINER EFFEKTENGESELLSCHAFT AG GROUP FOR THE YEAR ENDED 31 DECEMBER 2012

1. Business and strategy

1.1. Organisation and business areas

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

The individual direct and indirect operational subsidiaries are:

- **Tradegate AG Wertpapierhandelsbank, Berlin;** holding 70.6 % (Group Accounts according to IFRS), licensed as a deposit bank. The company's main business is securities trading, especially as market specialist on the TRADEGATE EXCHANGE and market specialist and order book manager on the Frankfurt and Berlin stock exchanges respectively. Tradegate AG Wertpapierhandelsbank in turn holds a stake of almost 25 % in the operating company of the TRADEGATE EXCHANGE, the Tradegate Exchange GmbH. The majority shareholder of this company is the Deutsche Börse AG.
- **Ventegis Capital AG, Berlin; holding 98.9 %;** venture capital business providing mainly early phase investments and general financial and structuring advice,
- **Ex-tra Sportwetten AG, Vienna, Austria; holding 100 %;** issuer of sport certificates with a licence for sports betting.

In addition to the majority-held group companies, the company can also enter into minority holdings in national and foreign companies that supply banking or financial services, or in companies that offer support services for this field of business. The aim of such investments is the initiation, consolidation and enhancement of the business connections of the companies belonging to the Group. At the moment there are no other strategically relevant investments apart from the holding in the quirin bank AG.

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

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

The main office of the company is based in Berlin. The management of the company comprises two board members (Mr. Karsten Haesen and Mr. Holger Timm) who work closely with one another in the areas of strategic planning, guidance of the operational subsidiaries and investment controlling. Although three subsidiaries operate as public companies and the independence of each management board is protected, a higher-level strategy and supervision is ensured particularly through the overlap in the structure

of the management bodies in all companies. Mr. Timm is responsible for accounting, controlling and business administration. The latter especially concerns the personnel administration of the subsidiaries and certain areas of the buying-in of material and services. Besides this, Mr. Timm is the Chairman of the Board of the Tradegate AG Wertpapierhandelsbank, Chairman of the Supervisory Board of the quirin bank AG and Member of the Supervisory Board of Ventegis Capital AG. Mr Haesen coordinates the activities of the Group regarding capital market transactions and is responsible for the representation of the company on the capital market. Furthermore, he is the Managing Director of Ventegis Capital AG and a member of the supervisory board of Tradegate AG Wertpapierhandelsbank.

1.2. Competitive position and general conditions

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

The competitive position of the most important group subsidiary, the Tradegate AG Wertpapierhandelsbank, improved again last year following the establishment of the company-developed trading system, TRADEGATE®, as a new stock exchange, TRADEGATE EXCHANGE, and the strategic partnership with the Deutsche Börse AG. The number of trades increased slightly by 0.38 % and the volume of trades transacted rose by 10.3 %. Since all other relevant competitors reported decreases in turnover of between 20 and 30% in 2012, the market share of TRADEGATE EXCHANGE compared with other German regional exchanges reached up to 53 %. This means that in the market segment equity trading, TRADEGATE EXCHANGE has claimed the position of best trading platform for private investors in Germany.

1.3. Goals and strategies, listing on the stock exchange

The Berliner Effektengesellschaft AG supports its operational companies in the development of their business areas and accompanies the necessary processes of coordination. The higher-level consolidated group company and the diverse business activities of the operational subsidiaries permit a highly extensive range of services around the capital markets and, on account of the higher name recognition of the Berliner Effektengesellschaft AG, can be of help to the individual companies in building a customer base. On the other hand, the clear segregation of different business areas – and especially of business risks – helps to win strategic partners or shareholders for the individual areas.



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

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

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

1.4. Employees

The number of employees in the Group remained almost constant in 2012 counting 101 employees as at 31 December 2012. The average age is about 41.1 years. The average job tenure is 9.7 years.

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

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

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

Berliner Effektengesellschaft AG	9
Tradegate AG Wertpapierhandelsbank	92
Ventegis Capital AG	4
Ex-tra Sportwetten AG	2

As some board members have a double function, the total number of employees in the Group is 101.

1.5. Business development and general conditions

In 2012 the general conditions for banks and the financial service industry continued to deteriorate, especially in equity trading with private investors. The consolidation of the industry is still in progress and has resulted in tougher competition and reduced margins. All group companies and affiliated companies are still affected by the difficult situation surrounding the capital markets.

Despite a slight increase in turnover in 2012 the group company Tradegate AG Wertpapierhandelsbank had to report a negative result in ordinary business activities of € -1,058,000. It must be noted however, that the loss did not come from the operative business but from back payments and reserves of over 2 million Euros for cost allocations to the Federal Institute for Financial Services Supervision (BaFin). According to the commercial code the company also had to pay a large amount (1.8 million Euros) into the fund for general banking risks. Further sizeable contributions to the fund will follow in the next two years.

Due to the European Football Championship the group company Ex-tra Sportwetten AG in Vienna reported a higher profit in 2012 than last year. This will be used partly to cover retained losses.

In 2012 Ventegis Capital AG had to take a loss of € 4,356,000. A large part of this, 3.6 million Euros, resulted from the bankruptcy of its largest investment, Soltecture GmbH.

Overall, the Group made a disappointing loss of € -5,849,000 following last year's profit of € 3,246,000. This result is due primarily to the loss incurred by the group company Ventegis Capital AG.

2. Development of assets, financial position and results

Development of assets

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

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



ASSETS	in € 31 · 12 · 2012	in € 31 · 12 · 2011
Cash reserves	157,536.22	159,808.12
Receivables from banks	35,863,067.32	43,489,241.32
Receivables from customers	1,182,287.95	766,816.57
Provision for risk	- 746,229.92	- 155,727.78
Trading assets	3,277,851.08	1,057,858.70
Investments and securities	4,946,596.48	8,645,435.03
Participatory investments in affiliated companies	10,357,446.86	10,923,585.99
Intangible assets	536,827.85	462,834.16
Tangible fixed assets	306,761.00	180,747.06
Profits tax claims	3,146,999.76	2,696,404.04
Other assets	1,135,643.50	1,952,831.13
Deferred taxes on assets side	13,512.99	17,919.18
Total	60,178,301.09	70,197,753.52



LIABILITIES	in € 31 · 12 · 2012	in € 31 · 12 · 2011
Liabilities to banks	510,468.44	688,626.62
Liabilities to customers	758,552.49	412,349.39
Trading liabilities	970,297.22	248,780.86
Provisions and accruals	980,744.66	783,310.03
Profits tax	163,877.77	1,465,152.29
Other liabilities	2,146,890.36	1,860,922.04
Deferred taxes on liabilities side	65,548.23	71,400.94
Own funds	54,581,921.92	64,667,211.35
Minority interests	9,792,726.96	10,918,607.33
Stock capital	13,821,793.00	13,821,880.00
Capital reserves	33,715,107.02	33,641,408.06
Retained earnings	2,719,578.69	1,962,324.60
Revaluation surplus	381,828.41	1,076,477.79
Group (loss) / profit	- 5,849,112.16	3,246,513.57
Total	60,178,301.09	70,197,753.52

The dividend payments of the subsidiaries Tradegate AG Wertpapierhandelsbank and Ventegis Capital AG along with the increase in the stocks for trading plus current losses led to a drop in receivables from banks from € 43,489,000 to € 35,863,000. The increase in stocks for trading is due mainly to brisk trading in the last trading days of the business year. The considerable decrease in investments and securities is down to the write-off on the interest in Soltecture GmbH.

The drop in the amount of tax on income is explained by the negative result for the year of the companies included in the Group's report. The other liabilities include predominantly accruals for deliveries and services not yet paid and liabilities for social security contributions.

Financial position

The Group is financed primarily by its own equity. The liabilities to banks are mostly made up of open accounts from specialist trading and order book management. The largest positions in other liabilities are the liabilities for services purchased.

The assets are mostly invested with banks and in securities. Apart from short term receivables from banks of € 24,821,000 (previous year € 36,583,000) the liquidity reserves contain trading assets and securities available for sale in the amount of € 4,970,000 (previous year € 3,234,000).

According to the cash flow statement for the Group the cash flow from operating activities is € 2,241,000 (previous year € 2,337,000). In the course of investment activities net outflow payments of € 435,000 were reported which for the large part were in connection with investments in fixed assets. Last year there was a net inflow from investment activities of € 4,283,000.

The cash flow of financing activities amounted to € -3,409,000 (previous year € -1,330,000). The outflow was used mainly to pay dividends. The amount of net assets fell from € 33,530,000 to € 31,927,000.



Results

The result after tax deteriorated in the business year by € 10,947,000 from € 4,716,000 to € -6,231,000. The important positions in the Group income statement are the trading result and the administration expenses. The development of the income statement of the last two years is shown in the table below.

	in € 2012	in € 2011
Interest earned	415,668.65	599,103.15
Interest paid	- 19,957.26	- 20,593.33
Interest surplus	395,711.39	578,509.82
Net provision for risk in credit transactions	- 714,569.36	- 490,492.78
Interest surplus after provision for risk	- 318,857.97	88,017.04
Commissions received	1,354,359.42	2,716,729.45
Commissions paid	- 6,179,700.09	- 8,342,717.01
Commission surplus	- 4,825,340.67	- 5,625,987.56
Net result on hedge accounting	0.00	0.00
Income from trading transactions	62,094,628.12	87,475,261.40
Expenditure from trading transactions	- 40,153,189.39	- 56,559,155.30
Trading result	21,941,438.73	30,916,106.10
Gross earning	16,797,240.09	25,378,135.58
Result from investments and securities (available-for-sale)	- 2,739,036.91	3,561,203.76
Result from financial assets (held-to-maturity)	0.00	0.00
Result from companies valued at equity	- 424,487.47	- 1,137,201.54
Administration expenses	- 20,385,610.20	- 22,290,625.69
Operating result	- 6,751,894.49	5,511,512.11
Other operating result	514,686.23	1,292,463.16
Result before tax	- 6,237,208.26	6,803,975.27
Income and profit taxes	6,216.13	- 2,087,740.13
Result after tax	- 6,230,992.13	4,716,235.14
Profit / loss from shareholders outside the Group	381,879.97	- 1,469,721.57
Group profit / loss	- 5,849,112.16	3,246,513.57

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



The commission surplus improved slightly following a reduction in the fees for clearing and settlement services in stock exchange trading. The commission surplus increased by € 801,000 to € -4,825,000.

The trading result comes predominantly from trading activity on the TRADEGATE EXCHANGE and this fell from € 30,916,000 to € 21,941,000.

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

Due to a reduction in personnel expenses, in particular for variable costs, the administration expenses decreased from € 22,291,000 last year to € 20,386,000.

The other operating result of € 515,000 (previous year € 1,292,000) includes the proceeds from the consolidation processes from the trading of shares in Tradegate AG Wertpapierhandelsbank and the departure of two companies from the consolidated Group. A detailed breakdown of the other operating result can be found in the Notes.

3. Analysis of financial performance indicators

The relation of administration expenses to gross earnings worsened due to the negative development in gross earnings, climbing from 87.8 % to 121.4 %. As at 31 December 2012 the equity ratio of the Group stood at 90.7 %, following 92.1 % at the closing date of the previous year. The basic earnings per share fell from € 0.23 to € -0.42. The underlying data for this evaluation can be found in the Notes.

To summarise, the Group's development in the past year has been disappointing and its current position is not up to our expectations.

4. Situation at time of writing

During the first three months of this year the business trend in the segment order book management/specialist trading proved to be positive.

5. Supplementary report

There were no occurrences to report up to the completion of the financial statement.

6. Risk report

Risk management policy and strategy

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

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

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

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

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

Counterparty default risk

The counterparty default risk is the danger that liabilities are fulfilled too late, incompletely or not at all. Such risks pertaining to the Berliner Effektengesellschaft Group come mainly from the receivables from banks and from investments and securities. The bank accounts are mainly with domestic banks, where the likelihood of default is presumed to be very small. Apart from these bank accounts, which are used for payment transactions and cash deposits, the company holds Federal Government securities, fixed interest securities from banks and other companies, shares in money market funds and shares in equity and investment funds. With this type of stock there is the risk of counterparty default, which depends on the issuer and the form of the investment, and receivables from customers who are liable to default.

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



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

The maximum default risk is reflected in the book value of the financial assets shown in the accounts (€ 55,039,000 / last year € 64,887,000). At the balance sheet date there was no undertaking to reduce the maximum default risk.

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

• Credits and receivables:

The category of credits and receivables contain primarily deposits at banks, receivables from brokers from trading securities on the stock exchange and receivables from the investment business. In our opinion, the receivables from banks do not represent any noteworthy risk of default as long as the bank is a domestic institution (€ 33,597,000 / last year € 41,050,000). The largest single exposure is with the quirin bank AG, where at the balance sheet date a deposit of € 18,891,000 (last year € 26,494,000) was held. The receivables from foreign banks are with institutes of first class rating (€ 2,267,000 / last year € 2,439,000).

The receivables from brokers from trading securities on the stock exchange amount to € 2,000 (last year € 5,000). These receivables do not pose any appreciable risk of default because in the course of admission to stock exchange trading a credit assessment is carried out by the stock exchange and the receivables are covered in the form of a security made to that stock exchange.

The receivables incurred within the scope of a venture capital investment are predominantly dormant holdings. The nature of the business brings with it a high risk of counterparty default. At the balance sheet date these receivables amounted to € 1,137,000 (last year € 666,000). Last year loan loss provisions were made for these receivables in the amount of € 187,000 (previous year € 156,000).

The receivables from the tax authorities amount to € 3,147,000 (last year € 2,696,000). These are receivables from the state of Berlin, i.e. the Federal Republic of Germany, which in our opinion are not at risk of defaulting.

The receivables do not contain any receivables that were due before the balance sheet date. At the balance sheet date value-adjusted receivables amounted to € 746,000 (last year € 156,000). A receivable is considered to be devalued if

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

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

Security for receivables was not obtained.



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

Trading assets are shown in this category. The risk of counterparty default depends on the one hand on the domicile of the issuer and on the other on its economic circumstances. If markets function properly, these influences and prospects of development are contained in the prices. Based on the default probability of domiciles according to Hermes (loan insurance company), the risk is € 1,164,000 (last year € 797,000).

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

The financial assets available for sale contain investments and securities in the liquidity reserves. The investments are separated into strategic investments that complement or support the business areas of the Group and investments that are assigned to the business area venture capital. The strategic investment in the quirin bank AG (€ 10,116,000, last year € 9,921,000) is included in a monthly report which is made to the chairman of the supervisory board, who is also CEO of the Berliner Effektengesellschaft AG. This makes the continuous observation of the development of the economic situation possible. The investments of the venture capital business have a high default probability. Such investments are measured according to economic developments and circumstances and on the achievement of goals. New investments are made following intensive checks. At the moment the Group holds investments to the value of € 3,255,000 (last year € 6,470,000).

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

At the balance sheet date none of the financial assets belonging to this category were overdue. The financial assets available for sale are considered in the Group to be depreciated in value if the fair value is 25 % lower than the acquisition costs. At the balance sheet date the amount of depreciated financial assets stood at € 119,000 (last year € 184,000).

Liquidity risk and cash flow risk

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

The control of payment reserves is made via liquidity planning and other methods suitable for the respective business area. During the reporting year, as far as companies belonging to the Group were subject to the terms of the Liquidity Regulation which regulates the minimum liquidity of institutes, the rules were adhered to. Last year, the index numbers of the Tradegate AG Wertpapierhandelsbank moved between 5.12 and 12.09, the minimum figure being 1. This value is not calculated for the Group.

As no depreciation could be determined at the balance sheet date, fixed-interest securities of € 1,380,000 (last year € 1,717,000) are considered to be sellable at any time without loss.

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

The financial liabilities have the following maturity structure:

	in '000 € up to 1 month	in '000 € from 1 month to 3 months	in '000 € from 3 months to 1 year	in '000 € more than 1 year to 5 years	in '000 € more than 5 years	in '000 € without maturity
Liabilities to banks	511	-	-	-	-	-
Liabilities to customers	759	-	-	-	-	-
Trading liabilities	-	-	20	-	-	950

Market price risks

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



In the division order book management / specialist trading a special risk control system is used. On the one hand there are internal trading limits which provide timely and close market control and supervision of transactions, and on the other controlling limits are in place which are monitored by an independent risk control system. On the basis of the expected results for 2012 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 controlling limit between the trading areas overseas, domestic and Frankfurt am Main. Using these controlling 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 2012 the mostly only marginally used limit was exceeded occasionally for a short period of time. In nearly all cases, the reason for exceeding the limit was that the monitoring system was provided with incorrect reference prices. If risk control notifies a limit exceedance, the cause is investigated and the board member responsible for controlling is informed accordingly. The board member responsible for controlling discusses the steps to be taken with the board member responsible for trading and informs risk control of the result. If losses are actually incurred which exceed a certain threshold value, the limit concerned is lowered automatically. In a subsequent comparison of the actual and planned result of the segment order book management / specialist trading a decision is made on the retention or change of the limit adjustment. The controlling limits for securities trading were adjusted in the course of the negative development of results during 2012.

The assets in the liquid reserves are dealt with separately. In the past business year the controlling limits of the Tradegate AG Wertpapierhandelsbank for the assets in the liquid reserves were reduced. The assessment of the amount of risk is handled analogue to the observation of trade securities. In the case of the limit being exceeded the board member of the Tradegate AG Wertpapierhandelsbank is informed immediately. He then decides on the further handling of the securities in the liquid reserves.

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

Exchange rate risk is handled restrictively. No significant amount of foreign currency is held. At the balance sheet date the deposits in foreign currency at banks amounted to € 2,000.

Investments in liquid assets of the companies are predominantly of short term duration, mostly up to three months, so the risk of interest rate changes is of secondary importance. Within the liquid asset investments of the Berliner Effektengesellschaft AG the fixed interest securities are mostly with fixed-rate interest periods of three months. No liabilities with fixed-rate interest periods stand against these, so, if the market rate should change, this could result in a change to the market value and possibly devaluation of the securities. The risk from changes in interest rate are monitored and controlled by the Group's internal treasury department.

Based on the number of securities, a change in the interest level of one basis point would have the same effect as last year on the result at the balance sheet date (€ 00.00). The equity capital would not change either. The reason for this is the small amount of interest-bearing securities.

To assess the exchange risk of shares a sensitivity analysis is used to classify the domicile of the issuer into a risk category. Changes in the share price within a trading day are allocated to these risk categories. These changes are estimated by examining historical data, for example from the DAX®. In the case of the securities trading book, including positions from name-to-follow transactions of the business area order book management / specialist trading, a loss of € 121,000 (last year € 74,000) might occur at the balance sheet date. This would affect the equity capital and the Group's profit for the year.

Operational risks

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

In the individual companies of the Group, risk inventories were carried out and risk matrices put in place. These are checked regularly, at least once a year. In order to obtain an overview of any damages occurring, employees are required to report all damages to the risk control department in their company. No reports of significant damages were made during 2012.

Reporting

Reporting is decentralised and takes place in each of the operative units. The board members of Tradegate AG Wertpapierhandelsbank receive a risk report every day which also fulfils the minimum requirements for risk management. In particular, the



reports contain the results from trading, the current risk position, the assigned limits and their utilisation. Due to the small amounts involved and their involvement in day-to-day business the board members of the other companies are continuously informed of the risk situation. Additionally, the board members of the parent company receive a report on the economic development of the Group. In the course of its activities in the subsidiaries and involvement in the respective reporting system the board is kept informed of all other risk situations.

Institutional supervision

As a financial holding group, the Berliner Effektengesellschaft Group is subject to supervision by the Federal Financial Supervisory Authority. Accordingly, every month a consolidated monthly return, summarised quarterly reports for the Solvency Regulation and reports on any large loans and loans in millions must be submitted. If any unusual events occur, they are to be announced separately. The obligation to report was adhered to in 2012. From January to December 2012, the reported ratio of the Solvency Regulation lay between 76.00 % and 97.60 %.

7. Outlook

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

Tradegate AG remains the most important company within the Berliner Effektengesellschaft Group. In 2013 the subsidiary expects only a moderate gain in turnover but this should certainly turn out better than 2012. The attainable margins also look to improve and the company plans a further reduction in the general administration costs and variable trading costs. Tradegate's position in the market compared with its competitors remains excellent and it should be possible to build on this. An unknown factor is the possible introduction of a European tax on financial transactions. Depending on its exact form such a tax could have very negative effects on the company's activities, especially in the business of trading with private investors.

During 2013 Berliner Effektengesellschaft AG will aim for a 100 % takeover of Ventegis Capital AG using the so called squeeze out procedure. Further potential for write-offs on the remaining investment portfolio is not in evidence at the moment. Lucrative disposals of investments are not likely in 2013. The planned cash settlement offered by the Berliner Effektengesellschaft AG to the free-float shareholders is based on a company value calculated by the company.

The third significant investment of the Berliner Effektengesellschaft is the quirin bank AG. As a fee-based advisory bank it continued to grow its private banking business during 2012, but in view of the difficult situation on the capital markets and its strict business philosophy of not taking on any incalculable risks for its own business or its customers, it has not yet reached break even. This investment has enormous growth potential if the innovative business concept continues to be implemented successfully.

As there are no large sports events taking place this year, the group company Ex-tra Sportwetten AG in Vienna is likely to experience a decrease in turnover in 2013.

With its subsidiaries and investments in the financial sector the company remains to a large extent dependent on a positive capital markets environment. As long as the situation on the capital markets does not get any worse and without taking into account the effects of a possible financial transaction tax, the company can look to improved operative business and therefore a positive Group result in 2013 and 2014.

Berlin, 6 May 2013

Berliner Effektengesellschaft AG

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