



Märkte · Wertpapiere · Börsen

3rd Quarter Report 2003

2003



WERTPAPIERHANDELSHAUS
AKTIENGESellschaft

At a glance

MWB Group	1 st – 3 rd Quarter, 2002		1 st – 3 rd Quarter, 2001		+/- in %
Commission result	TEUR	757	TEUR	628	+21 %
Trading result	TEUR	2,141	TEUR	2,117	+1 %
Personnel expenses	TEUR	2,131	TEUR	2,123	0 %
Administrative expenses	TEUR	3,157	TEUR	3,470	-9 %
Profit from ordinary activities	TEUR	-2,058	TEUR	-5,702	64 %
Net profit	TEUR	-1,953	TEUR	-5,702	-66 %
Balance sheet total	TEUR	20,408	TEUR	23,822	-14 %
Equity	TEUR	17,935	TEUR	21,215	-15 %
Earnings per share	€	-0.41	€	-1.20	66 %
Number of employees		29		33	-9 %

The Company

MWB Wertpapierhandelshaus AG

Rottenbucher Strasse 28

D - 82166 Graefelfing, Germany

PO Box 1644

D-82158 Graefelfing, Germany

Phone + 49 (89) 85 85 2-0 · Fax + 49 (89) 85 85 2-5 05

E-mail info@mbw.de · Internet www.mbw.de

Registered with the local Court of Munich,

HRB 123 141, Founded in 1993

Board of Management

Christine Niederreuther-Rohrhirsch

Thomas Mühlbauer

Thomas Posovatz

Investor Relations

Bettina Schmidt

Phone + 49 (89) 85 85 2-3 05

E-mail investor-relations@mbw.de

Admitted for trading on the following exchanges

- Munich Stock Exchange
- Berlin-Bremen Stock Exchange
- Frankfurt Stock Exchange
- Rhineland-Westphalia Stock Exchange in Duesseldorf
- Baden-Wuerttemberg Stock Exchange

Member of the Bundesverband der

Wertpapierhandelsfirmen e.V.

(Federal Association of Securities Dealers)

Financial Calender 2003

11/08/2003	Participation on Münchner Börsentag
12/06/2003	Open day at the Börse Berlin-Bremen

Business Developments in the Third Quarter of 2003

Light at the end of the tunnel: It was impossible to miss the signs of an economic recovery during the third quarter, even if we still have to wait for the real upturn to come. Key economic indicators in Germany and in the US gave reason for hope, however they are not sufficient for a sustained increase in stock market turnover or even for a change of mood. As a result, the DAX had hardly risen at all at the end of the quarter. Despite an interim lift of 530 points, the DAX slumped again from its high on September 5 and fell back to 3146 – almost to its level in July and August. That meant that, at the end of September, German blue chips had once again reached a level that put investors more in mind of a sideward movement.

As a result, investors behaved cautiously and thus contradicted the positive comments by analysts, who often estimate the situation more favorably than the mood on the markets would have us think. There is still a high degree of insecurity on the financial markets as a result of the global political situation, the reform backlog in Germany and the continued weakness of the dollar against the euro – all of which make it difficult to make reliable forecasts. However, further economic recovery is very probable – and as a result MWB AG's upward growth in the third quarter will continue until the end of the year.

Trading and Specialist Business

The volume of international stocks traded in Germany did not fall any further for the first time this year. The turnover growth to € 53 billion means not only an improvement on the second quarter, but also on Q3 2002 when turnover totaled just € 46 billion. In MWB AG'S core business, this growth lead to a significantly higher trading and comission result. Trading profits increased slightly to

€ 979 thousand against the second quarter.

There was also an increase in commission result, which lifted by 9 % to € 283 thousand. This means that we have succeeded in further stabilizing the growth trend which started in the second quarter. Focusing on commissionoriented divisions is paying off, as is sticking to a specialist market model. In contrast to NASDAQ Deutschland, which used a purely electronic internalization model and which had to cease operations on August 29 after just five months, our favored trading system – Max-One – is exhibiting excellent growth.

The shift in order streams towards the Munich Stock Exchange seems to be long term – and for MWB this meant a further increase in commission in the third quarter.

Institutional Sales / Order Execution division

Establishing the Institutional Sales division is proving to be a longer process – as expected. In a market segment with a great deal of competitive pressure it is hard to gain a foothold overnight. Specialization or a niche market policy carry the greatest promise of success.

Our positioning as a specialist for small and mid caps is gaining increasing acceptance and our cooperation with a well-known research house is proving to be highly lucrative. The first positive reactions have encouraged us to further expand this division – in terms of both staff and scope.

We have also received positive feedback on order execution for small and medium-sized banks. Outsourcing securities business is not only extremely efficient for banks of this size, but also offers them the opportunity to avail themselves of the many years of experience offered by a securities trading house.

MWB Wertpapierhandelsbank

MWB Wertpapierhandelsbank GmbH was able to concentrate fully on private asset management after dissolving the IPO Consulting division. As a result, the bank acquired 28 new customers during the third quarter and the assets managed increased to € 19.4 million despite the continued difficult market. MWB Baden, Offenburg-based MWB Wertpapierhandelbank's branch in Baden, made a major contribution to this result, as was also the case during the first six months. In order to boost the branch's importance within the MWB group, the branch will appear as an independent company as MWB Baden GmbH from January 1, 2004. The necessary authorization for the provision of financial services has already been issued by the Bundesanstalt für Finanzdienstleistungsaufsicht (German Financial Supervisory Authority). MWB Wertpapierhandelsbank will hold a 60 % interest in MWB Baden GmbH. The remaining 40 % will be held by the employees and managers in Offenburg. This ensures the greatest possible team motivation – today and in future.

Results

Notes to the consolidated quarterly financial statements

The MWB Group has prepared its consolidated financial statements for the third quarter of 2003 in line with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), in order to provide its shareholders and all interested parties with an internationally comparable basis to evaluate the MWB Group and its results of operations, and at the same time to meet the requirements of Deutsche Börse AG for the Prime Standard market segment. The interim reports meets the requirements of IAS 34 for quarterly financial statements. The





„Our orientation allows us to reach the entire spectrum of investors – from retail and institutional investors through to high net worth individuals.“

Thomas Posovatz,
Management Board member
in charge of Investor Relations
and Finance, Speaker of the
Management Board

basic earnings per share are the same as the diluted earnings per share and total € -0.41 (previous year: € -1.20).

Accounting policies

The single-entity financial statements of the companies included in consolidation are included in the consolidated financial statements of MWB Wertpapierhandelshaus AG. Uniform accounting and valuation principles are applied. The consolidated financial statements as of September 30, 2003 include MWB Wertpapierhandelshaus AG as the parent company and the wholly-owned subsidiary MWB Wertpapierhandelsbank GmbH. We consistently apply accounting, valuation and disclosure methods in line with the IFRS framework concept. The same accounting and valuation principles were applied in these quarterly financial statements as in our IFRS financial statements as of December 31, 2002. In particular all of our assets held for dealing purposes are carried at their fair value on the balance sheet and treasury shares within the meaning of SIC 16 are deducted from equity.

Commission income and trading profits

The first nine months of the year show a turnaround. Our commission income lifted by around 21 % during this period to € 757 thousand – up from € 628 thousand in the previous year. The bulk of this result was contributed by the Trading and Specialist Business division with € 485 thousand, followed by Asset Management with € 180 thousand and Institutional Sales with € 92 thousand. Even if we take the third quarter on a standalone basis, there is a clear increase on 2002.

Earnings were up € 118 thousand on the previous quarter at € 282 thousand. Trading profits showed

equally positive growth: Taken over the first nine months, trading profits increased year-on-year from € 2,117 thousand to € 2,141 thousand, and grew more than six-fold quarter-on-quarter from € 163 thousand to € 979 thousand. The higher stock market turnover in international stocks thus had a direct impact on MWB AG's earnings and forms the foundations for even better trading opportunities in the fourth quarter.

General administrative expenses

We were able to build on our intensive cost-cutting programs in 2001 and 2002 and slash our general administrative expenses by a further 5 % in the first nine months of the year. This saving was due to non-personnel related administrative expenses, which fell from € 3,470 thousand to € 3,157 thousand by the end of the third quarter. Our increased sales efforts meant that our personnel costs were not reduced, and these totaled € 2,131 thousand as of September 30, compared to € 2,123 thousand in the previous year. If we view the third quarter alone, personnel costs totaled € 670 thousand (previous year: € 637 thousand) and other administrative expenses totaled € 1,188 thousand (previous year: € 1,056 thousand). This slight increase is mainly due to a provision formed in the third quarter for our participation in Max-One totaling € 156 thousand. Without this provision, we would have been able to cut our other administrative costs on a quarter-on-quarter basis.

Profits from ordinary activities and net loss

During the first nine months of 2003, profits from ordinary activities improved significantly compared to the same period of 2002. Up from € -5,702 thousand to € -2,058 thousand, with

a write-down last year as of September 30 on our investment in the software company XCOM AG. Taken over the period from July to September, profits from ordinary activities increased from € -4,658 thousand in 2002 to their current level of € -543 thousand. This result would have been even better had it not been for the provision required for Max-One. Our net loss for the year also moved in a similar direction, totaling € -1,953 thousand compared to € -3,749 in the first three quarters of 2002. The improvement is even more obvious if we take the third quarter alone: the net loss fell by around 90 % from € -4,593 thousand to € -496 thousand.

Equity and liquidity

The weak first quarter in particular is responsible for MWB AG's equity falling to € 17.9 million as of September 30. However, the downturn of € 1.8 million since December 31, 2002 is far less dramatic than had been feared at the start of the year, which means that our equity ratio is still almost 90 %. Our liquid funds of € 13.7 million is also far better than the industry as a whole - which means that we are in a comparatively comfortable position even after three tough years on the stock market. The third quarter also gives us reason to believe that our equity will not continue to decrease at the same rate as in 2001 and 2002.

Own shares

On the balance sheet date, the company held 125,978 own shares. During the period under review, a total of 51,402 shares were bought and 86,582 shares were sold. The average acquisition price was € 1.73, the average selling price was € 2.39. This corresponds to a nominal value of € 125,978 and a 2.5 % interest in the share capital.

Outlook

Our focus on commission-oriented divisions has proven to be correct. The current recovery on the stock market with increasing turnover is increasing our company's opportunities for action and trading. This means that we see no reason to change our course and we will continue to restrict our company to three divisions:

- Trading and Specialist Business
- Institutional Sales / Order Execution
- Asset Management

This allows us to reach the entire spectrum of investors - from retail and institutional investors through to high net worth individuals.

We are now convinced more than ever of the future of floor-based trading (or a stock exchange system similar to floor-based trading) and thus of the specialist's central role. The events surrounding the failure of NASDAQ Deutschland and the successful development of Max-One on the Munich Stock Exchange have confirmed this opinion. We believe that spinning off our MWB Baden branch to form an independent company is a key strategic step for our Asset Management division. Our focus on a promising location allows us to work more efficiently and makes our market presence more consistent, and at the end of the day these will both lead to improved earnings. Our efforts in the last quarter of the year will again focus on our orientation to earnings and the associated cost control. We hope to thus be able to survive 2003 more or less unscathed and to emerge equipped for a better 2004.



Consolidated Balance Sheet according to International Financial Reporting Standards

as of September 30, 2003

Assets

	09/30/2003		12/31/2002
	EUR		EUR
Cash reserve	1,849.06		858.92
Receivables from banks	13,845,607.48		15,008,204.61
Assets held for dealing purposes	905,909.48		559,639.41
Financial assets	2,435,479.42		2,606,555.42
Tangible assets	666,143.00		804,396.00
Income tax assets	1,267,256.08		1,265,840.02
Other assets	1,285,924.48		1,784,063.13
Total assets	20,408,169.00		22,029,557.51

Liabilities and Equity

	09/30/2003		12/31/2002
	EUR		EUR
Liabilities to banks	153,719.88		176,047.59
Liabilities from dealing activities	44,131.51		40,467.72
Provisions	925,558.25		677,429.00
Income tax liabilities	113,110.89		169,288.43
Other liabilities	1,236,907.59		1,230,921.11
Equity	17,934,740.88		19,735,403.66
Subscribed capital	4,982,700.00		4,982,700.00
Capital reserves	24,825,551.32		24,825,551.32
Own shares	8,123,593.19		8,617,645.94
Retained earnings	0.00		-53,318.48
Revaluation surplus	-2,359,975.97		-2,425,257.57
Unappropriated loss	-17,637,127.66		-16,211,917.55
Total liabilities and equity	20,408,169.00		22,029,557.51

Consolidated Profit and Loss Account according to International Financial Reporting Standards

for the Period from January 1 to September 30, 2003

	01/01/ – 09/30/2003 EUR		01/01/ – 09/30/2002 EUR
Net interest income	302,897.15		473,176.94
Commission income	942,743.78		723,237.15
Commission expenses	-185,787.48		-95,427.51
Net commission income	756,956.30		627,809.64
Trading income	4,310,793.56		9,495,153.94
Trading expenses	-2,169,653.77		-7,377,951.26
Trading profit	2,141,139.79		2,117,202.68
Net income from financial assets	17,954.39		-3,502,868.60
Administrative expenses	-5,288,582.78		-5,592,814.95
Balance of other income/expenses	11,279.72		175,707.12
Profit from ordinary activities	-2,058,355.43		-5,701,787.17
Income taxes on profit from ordinary activities	105,502.42		149.45
Net profit/loss	-1,952,853.01		-5,701,637.72
Profit carried forward from previous year	-16,375,487.68		-10,519,239.55
Transfers to retained earnings	691,213.03		174,133.54
Unappropriated profit/loss	-17,637,127.66		-16,046,743.73

Consolidated Profit and Loss Account according to International Financial Reporting Standards

Quarter-by-quarter comparison

	3rd Quarter 2003 EUR		3rd Quarter 2002 EUR
Net interest income	86,207.43		157,324.66
Commission income	356,198.11		186,216.03
Commission expenses	-73,708.12		-21,694.84
Net commission income	282,489.99		164,521.19
Trading income	1,804,169.16		2,807,831.83
Trading expenses	-824,741.53		-2,644,959.02
Trading profit	979,427.63		162,872.81
Net income from financial assets	-35,223.61		-3,572,000.00
Administrative expenses	-1,858,977.68		-1,693,234.09
Balance of other income/expenses	2,653.79		122,664.14
Profit from ordinary activities	-543,422.45		-4,657,851.29
Income taxes on profit from ordinary activities	46,972.74		64,417.35
Net profit/loss	-496,449.71		-4,593,433.94
Profit carried forward from previous year	33,590.15		0.00
Transfers to retained earnings	244,363.98		-126,871.92
Unappropriated profit/loss	-218,495.58		-4,720,305.86

Statement of Changes in Equity

for the Period from January 1 to September 30, 2003

	2003 TEUR		2002 TEUR
Equity as of January 1	19,736		26,832
Subscribed capital			
As of January 1	4,983		4,983
As of September 30	4,983		4,983
Capital reserves			
As of January 1	24,825		24,825
As of September 30	24,825		24,825
Retained earnings			
As of January 1	8,618		10,239
Change	-494		-334
As of September 30	8,124		9,905
Revaluation surplus			
As of January 1	-53		9
Change	53		-75
As of September 30	0		-66
Own shares			
As of January 1	-2,425		-2,545
Change	65		160
As of September 30	-2,360		-2,385
Consolidated loss			
As of January 1	-16,212		-10,679
Change in unappropriated profit / loss	-1,425		-5,368
As of September 30	-17,637		-16,047
Equity as of September 30	17,935		21,215

Consolidated Cash Flow

for the Period from January 1 to September 30, 2003

	01/01/ – 09/30/2003 TEUR	01/01/ – 09/30/2002 TEUR
Consolidated loss	-1,953	-5,702
Adjustment to the reconciliation of the consolidated net profit to the cash flow from operating activities		
Depreciation, write-downs and write-ups on receivables, property, plant and equipment and financial assets	233	3,840
Change in long-term provisions	249	285
Loss from the disposal of financial assets	35	0
Other adjustments (balance)	-784	-951
	-2,220	-2,528
Changes in assets and liabilities from operating activities		
Change in receivables from customers	-19	-18
Change in trading position	-343	370
Change in other assets from operating activities	516	2,206
Change in other liabilities from operating activities	-50	-90
Interest received and dividends	233	363
Interest paid	-2	-2
Received income tax	0	0
Cash flow from operating activities	-1,885	301
Proceeds from disposal of financial assets	223	0
Investments in property, plant and equipment	-87	-91
Investments in financial assets	0	0
Change in cash flow from other investing activities	53	69
Cash flow from investing activities	189	-22
Net-change in purchases and sales of own shares	558	696
Dividends paid	0	0
Cash flow from financing activities	558	696
Change in cash and cash equivalents	-1,138	975
Cash and cash equivalents at beginning of the period	14,833	14,820
Cash flow from operating activities	-1,885	301
Cash flow from investing activities	189	-22
Cash flow from financing activities	558	696
Cash and cash equivalents at the end of the period	13,695	15,795

Segment Reporting

as of September 30, 2003

Specialist Business, Securities Trading	09/30/2003		09/30/2003
	TEUR		TEUR
Net interest income	274		431
Net commission income	577		565
Trading profit	2,141		2,116
Net income from financial assets	-35		-3,572
Personnel expenses	1,755		1,865
Scheduled depreciation of property, plant and equipment	211		257
Other administrative expenses	2,991		3,285
Balance of other operating income/expenses	15		53
Net income for the year by segments	-1,669		-5,556
Assets	23,160		23,738
Asset Management, IPOs	09/30/2003		09/30/2003
	TEUR		TEUR
Net interest income	29		42
Net commission income	180		63
Trading profit	0		1
Net income from financial assets	53		-3,503
Personnel expenses	376		258
Scheduled depreciation of property, plant and equipment	12		8
Other administrative expenses	166		172
Balance of other operating income/expenses	-4		123
Net income for the year by segments	-284		-3,706
Assets	4,479		4,875
Consolidation	09/30/2003		09/30/2003
	TEUR		TEUR
Net interest income			
Net commission income			
Trading profit			
Net income from financial assets			3,572
Personnel expenses			
Scheduled depreciation of property, plant and equipment			
Other administrative expenses			12
Balance of other operating income/expenses			
Net income for the year by segments			3,560
Assets	-7231		-4,791
Group	09/30/2003		09/30/2003
	TEUR		TEUR
Net interest income	303		473
Net commission income	757		628
Trading profit	2,141		2,117
Net income from financial assets	18		-3,503
Personnel expenses	2,131		2,123
Scheduled depreciation of property, plant and equipment	223		265
Other administrative expenses	3,157		3,469
Balance of other operating income/expenses	11		176
Net income for the year by segments	-1,953		-5,702
Assets	20,408		23,822

The consolidation booking of EUR 12 thousand includes goodwill amortization. This write-down was made for the last time in the financial statements as of December 31, 2002.

Märkte · Wertpapiere · Börsen

MWB Wertpapierhandelshaus AG
Rottenbucher Strasse 28 · D-82166 Graefelfing
PO Box 16 44 · D-82158 Graefelfing
Phone +49 89 85852-0
Fax +49 89 85852-505
www.mwb.de


WERTPAPIERHANDELSHAUS
AKTIENGESELLSCHAFT