



Märkte · Wertpapiere · Börsen

Half-year Report 2004

2004

MWB
WERTPAPIERHANDELSHAUS
AKTIENGESELLSCHAFT

At a glance

MWB Group	Half-year, 2004		Half-year, 2003		+/- in %
Commission result	TEUR	939	TEUR	474	+98 %
Trading result	TEUR	2,155	TEUR	1,162	+85 %
Personnel expenses	TEUR	1,203	TEUR	1,461	-18 %
Administrative expenses	TEUR	2,340	TEUR	1,969	+19 %
Profit from ordinary activities	TEUR	-248	TEUR	-1,515	-84 %
Net loss	TEUR	-302	TEUR	-1,456	-79 %
Balance sheet total	TEUR	19,800	TEUR	20,483	-3 %
Equity	TEUR	17,302	TEUR	18,255	-5 %
Earnings per share	€	-0.06	€	-0.30	-80 %
Number of employees		28		30	-7 %

Financial Calendar

Date	Topic	Place
09/25/2004	Nordbayerischer Börsentag	Würzburg
10/21/2004	Publication of third quarter figures 2004	
4 th quarter	Analysts conference	Frankfurt a. M.

The Company

MWB Wertpapierhandelshaus AG

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Registered with the local Court of
Munich, HRB 123 141
Founded in 1993

Board of Management

Christine Niederreuther-Rohrhirsch
(until 06/21/2004)
Thomas Mühlbauer (until 07/31/2004)
Thomas Posovatz
Herbert Schuster (since 08/01/2004)

Investor Relations

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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
Wertpapierfirmen an den deutschen
Börsen e.V.

Business in the first six months of 2004

The patient is on the way to recovery, but the patient is still not healthy. That is how we would describe the status of the financial markets after the first six months of the year. And at MWB AG that means we have to preliminary correct our original targets. After a pleasing first quarter, in which figures in the profit-zone raised our hopes, trading in international stocks suffered an unexpected slump in May and June. That resulted in fair-to-middling results for the first half of the year, which were down on forecast – not only for MWB AG but also for almost all security trading companies. However, irrespective of the seasonal downturn the fundamental recovery continued: compared to the first half of 2003, a clear upwards trend can be seen at MWB. Commission income has almost doubled and the improved earnings from operating activities show that our strategy is fundamentally correct despite short-term setbacks caused by the market.

Stagnation on the stock markets is primarily due to high oil prices. These have led to a feeling of uncertainty among private investors and companies alike. In addition, the sideward shift in the DAX index was also compounded by the continuing weakness of the US dollar and the reserve shown by consumers. Unfortunately the start of the third quarter has not brought a new upturn – as the mood on the markets will even make many good results sound bad. Psychology not facts – nothing but poison for the cautious upturn in Germany.

All in all, the poor mood on the markets meant that MWB AG's earnings in the second quarter were negative. As a result, our share price also came under pressure and fell to € 3.05 by June 30. Right now it is very hard to see when this trend will turn around.

Trading and Specialist Business

Turnover in international stocks was again an indicator for stock market growth during the second quarter of 2004. This was down nearly 16 % on the first quarter, however this was still up significantly year-on-year. That means that we cannot speak of a dramatic downturn, but at the most of deterioration. And yet the fact that MWB AG has almost doubled both its commission income and trading profits compared to the same period of the previous year points towards the crisis on the stock markets having been finally overcome. Despite this success, we are very aware that the contribution made by our specialist business to our total earnings will continue to fall over the long term, and we are enhancing our focus on our newly established Institutional Sales. We have occupied a niche market and gained a foothold straight off the bat with our successful start in trading Asian stocks and commodities.

MWB has listed 28 Indonesian blue chips that were not previously traded in Germany, and is thus giving investors with a global orientation the opportunity to participate in the economic growth of this country with its 238 million inhabitants. The launch of so-called non-voting depositary receipts (NVDR) for Thai blue chips is also new. For the first time in Germany, MWB is offering warrants for ten selected Thai public limited companies on the Munich stock exchange – a true innovation for Munich.

Institutional Sales / Order Execution

We launched our Institutional Sales and Order Execution division in 2003, and it has grown to become a key part of MWB AG. During the first half of the

year, this division recorded € 461,000, or 49 % of commission income. This amount includes placement commission as part of a capital increase for Solon AG. This shows the first measurable synergies between the Institutional Sales and Designated Sponsoring divisions. The Sales division is responsible for supporting Solon AG.

MWB Wertpapierhandelsbank

Although negotiations for the sale of the remaining legal shell of MWB Wertpapierhandelsbank were initially positive, they have, unfortunately, not been successful. That is why the license is being returned in the third quarter in agreement with the Bundesaufsichtsamt für das Finanzwesen (German Federal Banking Supervisory Authority). The Managing Board has initially decided not to merge MWB Wertpapierhandelsbank with MWB AG, as had originally been planned for this scenario, in order to remain as flexible as possible for any future strategic options. As a result, MWB Wertpapierhandelshaus GmbH will be continued as a wholly owned subsidiary of MWB Wertpapierhandelshaus AG, albeit without operations.

MWB Baden GmbH

The growth of MWB Baden GmbH, in which we hold an interest, continued unchanged in the second quarter. The assets managed and the number of customers increased during the past three months from 188 to 216. The contribution made to total commission income also grew pleasingly – up from 20 % in the first quarter to 23 %. Our decision to remain active in the field of private asset management via a participating interest has thus proven correct.



Results

Notes to the consolidated six-month financial statements

The MWB Group has prepared its consolidated financial statements for the first half of 2004 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 report is in line with the requirements of IAS 34.8 and IAS 34.11 for quarterly financial statements. The basic earnings per share are the same as the diluted earnings per share and total € -0.06 (previous year: € -0.30).

Accounting and valuation 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 June 30, 2004 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, 2003. 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

Commission income improved significantly during the current period under review compared to the first half of 2003, increasing by 98 % from € 474,000 to € 939,000. Commission income was up € 23,312 against Q1 – which itself was very good. Trading profits were also up – by around one million to € 2.15 million. Earnings would have been even better – if turnover in international stocks had not slumped in the second quarter. Although our specialist business still dominates our trading profits with a share of 77 %, the importance of Sales and Designated Sponsoring increased. They are already responsible for 15 % of earnings. Development in Asia Trading is also remarkable. Just shortly after its launch it already constituted 8 % of trading profits.

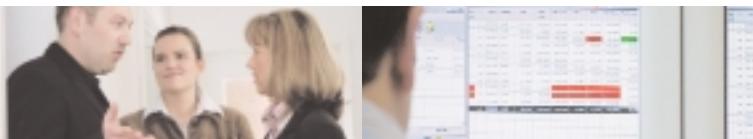
General administrative expenses

MWB AG's costs are strictly disciplined

– and that meant that administrative expenses remained almost constant despite higher turnover. They increased by just € 113,000 from the first half of 2003 to the first half of 2004 to € 3.54 million. On the one hand, personnel costs fell again by 17 %, whereas other administrative expenses were around 18% higher than in the previous year. This increase is due to increasing transaction volumes resulting from the recovery of the stock markets. We will certainly continue our restrictive cost policy and submit all of our cost centers to another in-depth review in the third quarter.

Profits from ordinary activities / net loss

The stabilization of the capital markets during the past twelve months has left a clear mark. For example, MWB AG has been able to improve its earnings from ordinary activities more than six-fold. These totaled € -248,000 compared to € -1.51 million in H1 2003. Unfortunately, this improvement was not sufficient to close the first six months with positive earnings. This is due to the poor mood on the markets in May and June 2004, which affected the whole of the second quarter. In spite of this, however, our net loss had improved by the end of the first six months from € -1.45 million to € 302,000. The difference between this figure and our earnings from ordinary activities is due to deferred and actual taxation, in particular at MWB Baden GmbH.



Equity and liquidity

Despite the unsatisfactory second quarter, MWB AG's comfortable liquidity situation has hardly changed. Cash and cash equivalents totaled around € 12 million as of June 30, 2004. That is slightly less than at the start of the year, whereas equity remained more or less unchanged. It totaled € 17.3 million compared to € 17.5 million on December 31, 2003. The equity ratio is correspondingly stable. It totals 87 % and is far above the industry average – ensuring that MWB has an excellent position to start from when stock market turnover picks up again.

Own shares

On the balance sheet date, the company held 71,936 own shares. During the period under review, a total of 58,428 shares were bought and 119,015 shares were sold. The average acquisition price totaled € 3.46, the average selling price totaled € 2.58. This corresponds to a nominal value of € 71,936 and a 1.44 % interest in the share capital.

Changes to the Managing Board

The coming six months will be a new start for MWB AG. The experienced stock market professional Herbert Schuster will become a new member of our company's Managing Board on August 1, and will be responsible for our Securities Trading. We had to appoint a new board member due

to the difference in opinions on the company's strategic orientation in the previous Managing Board. Christine Niederreuther-Rohrhirsch and Thomas Mühlbauer are thus in agreement with the Supervisory Board not to continue their periods of office, which end on December 31, 2004. Thomas Posovatz' period of office, which also ends on December 31, 2004, has been extended to December 31, 2007. The Managing Board will thus comprise just two members in future – the aim is to bring about leaner structures with faster decision making. The personnel costs saved will benefit MWB's substance in full next year.

more independent of daily business. And last but not least, we will secure our unique position by occupying promising niches, for example with Asia Trading. MWB AG will also not be put off by set backs and will continue to expand its position as a leading German securities trading company.

Outlook

Right now it is very hard to tell the direction the financial markets will take before the end of the year. There are far too many uncertainties that could change the face of the stock market from one day to the next. In the third quarter, sustained recovery is only forecast to start in September. However, we are sticking to our forecast that we will be able to close 2004 with at least a balanced result. Now that we have established new divisions and restructured our Managing Board, MWB AG is excellently positioned for the competition between securities trading banks. We can reach both institutional as well as retail and private clients with our divisions, thus spanning the entire bandwidth of securities trading. In addition, the shift in our focus from specialist business to sales means that we are



Consolidated Balance Sheet according to International Financial Reporting Standards

as of June 30, 2004

Assets

	06/30/2004	12/31/2003
	EUR	EUR
Cash reserve	79.69	292.43
Receivables from banks	12,348,575.28	13,467,025.53
Assets held for dealing purposes	1,521,965.26	892,208.58
Financial assets	2,435,479.42	2,435,479.42
Tangible assets	683,944.23	589,988.50
Income tax assets	1,292,370.77	1,272,760.50
Other assets	1,517,841.88	1,119,961.78
Total assets	19,800,256.53	19,777,716.74

Liabilities and Equity

	06/30/2004	12/31/2003
	EUR	EUR
Liabilities to banks	387,015.59	126,648.34
Liabilities from dealing activities	50,738.08	14,241.71
Provisions	765,765.50	736,320.00
Income tax liabilities	207,443.98	154,625.52
Other liabilities	995,603.74	1,150,000.41
Minority interest	91,644.26	74,454.72
Equity	17,302,045.38	17,521,426.04
Subscribed capital	4,982,700.00	4,982,700.00
Capital reserves	24,825,551.32	24,825,551.32
Retained earnings	8,735,214.46	8,751,112.47
Revaluation surplus	0.00	0.00
Depreciation of own shares	-2,265,039.39	-2,364,549.99
Unappropriated loss	-18,976,381.01	-18,673,387.76
Total liabilities and equity	19,800,256.53	19,777,716.74

Consolidated Profit and Loss Account according to International Financial Reporting Standards

for the Period from January 1 to June 30, 2004

	01/01/-06/30/2004	01/01/-06/30/2003
	EUR	EUR
Interest income	167,030.74	218,081.02
Interest expenses	-1,076.12	-1,391.30
Net interest income	165,954.62	216,689.72
Commission income	1,307,076.33	586,545.67
Commission expenses	-368,420.25	-112,079.36
Net commission income	938,656.08	474,466.31
Trading income	3,749,084.24	2,506,624.40
Trading expenses	-1,594,302.76	-1,344,912.24
Trading profit	2,154,781.48	1,161,712.16
Net income from financial assets	0.00	53,178.00
Administrative expenses	-3,542,537.96	-3,429,605.10
Balance of other income / expenses	35,234.93	8,625.93
Profit from ordinary activities	-247,910.85	-1,514,932.98
Income taxes on profit from ordinary activities	-53,790.87	58,529.68
Net loss	-301,701.72	-1,456,403.30
Minority interest of net profit	-17,189.54	0.00
Net loss without minority interest	-318,891.26	-1,456,403.30
Profit carried forward from previous year	-18,673,387.76	-16,211,917.55
Transfer to retained earnings	15,898.01	249,688.77
Unappropriated profit/loss	-18,976,381.01	-17,418,632.08

Consolidated Profit and Loss Account according to International Financial Reporting Standards

Quarter-by-quarter comparison

	2nd Quarter 2004	2nd Quarter 2003
	EUR	EUR
Interest income	91,326.74	102,746.60
Interest expenses	-556.35	-641.89
Net interest income	90,770.39	102,104.71
Commission income	713,620.68	343,242.01
Commission expenses	-232,637.08	-83,925.13
Net commission income	480,983.60	259,316.88
Trading income	1,691,603.92	1,438,905.51
Trading expenses	-752,729.90	-492,463.77
Trading profit	938,874.02	946,441.74
Net income from financial assets	0.00	53,178.00
Administrative expenses	-1,806,872.30	-1,838,889.54
Balance of other income / expenses	27,730.46	4,167.87
Profit from ordinary activities	-268,513.83	-473,680.34
Income taxes on profit from ordinary activities	-49,860.88	74,717.17
Net loss	-318,374.71	-398,963.17
Minority interest of net profit	-9,534.27	0.00
Net loss without minority interest	-327,908.98	-398,963.17
Profit carried forward from previous year	0,00	0,00
Transfer to retained earnings	-172,676.16	113,439.54
Unappropriated profit/loss	-500,585.14	-285,523.63

Statement of Changes in Equity

for the Period from January 1 to June 30, 2004

	2004 TEUR	2003 TEUR
Equity as of January 1	17,521	19,736
Subscribed capital		
As of January 1	4,983	4,983
As of June 30	4,983	4,983
Capital reserves		
As of January 1	24,825	24,825
As of June 30	24,825	24,825
Retained earnings		
As of January 1	8,751	8,618
Change	-16	-250
As of June 30	8,735	8,368
Revaluation surplus		
As of January 1	0	-53
Change	0	17
As of June 30	0	-36
Own shares		
As of January 1	-2,365	-2,425
Change	100	-42
As of June 30	-2,265	-2,436
Consolidated profit		
As of January 1	-18,673	-16,212
Change in unappropriated profit	-303	-1,206
As of June 30	-18,976	-17,418
Equity as of June 30	17,302	18,255

Consolidated Cash Flow

for the Period from January 1 to June 30, 2004

	01/01/-06/30/2004 TEUR	01/01/-06/30/2003 TEUR
Consolidated net loss	-319	-1,456
Adjustment to the reconciliation of the consolidated net loss to the cash flow from operating activities		
Depreciation, write-downs and write-ups on receivables, property, plant and equipment and financial assets	98	146
Change in long-term provisions	29	166
Loss from disposal of financial assets	0	0
Minority interest	8	0
Other adjustments (balance)	-626	-297
	-810	-1,441
Change in assets and liabilities from operating activities		
Change in receivables from customers	-233	-32
Change in trading position	-593	-167
Change in other assets from operating activities	-183	655
Change in other liabilities from operating activities	-84	-158
Interest received and dividends	112	170
Interest paid	-1	-1
Received income tax	0	0
Cash flow from operating activities	-1,792	-974
Proceeds from disposal of financial assets	0	0
Investments in property, plant and equipment	-194	-75
Investment in financial assets	0	0
Change in cash flow from other investing activities	0	53
Cash flow from investing activities	-194	-22
Net-change in purchases and sales of own shares	608	26
Dividends paid	0	0
Cash flow from financing activities	608	26
Change in cash and cash equivalents	-1,378	-970
Cash and cash equivalents at beginning of the period	13,340	14,833
Cash flow from operating activities	-1,792	-974
Cash flow from investing activities	-194	-22
Cash flow from financing activities	608	26
Cash and cash equivalents at end of period	11,962	13,863

Segment Reporting

as of June 30, 2004

	06/30/2004	06/30/2003
	TEUR	TEUR
Net interest income	132	194
Net commission income	720	351
Trading profit	2,155	1,162
Net income from financial assets	0	0
Personnel expenses	1,083	1,161
Scheduled depreciation of property, plant and equipment	89	140
Other administrative expenses	2,253	1,852
Balance of other operating income / expenses	23	13
Net income for the year by segments	-336	-1,234
Assets	19,834	20,709
Asset Management, IPOs	06/30/2004	06/30/2003
Net interest income	34	23
Net commission income	219	123
Trading profit	0	0
Net income from financial assets	0	53
Personnel expenses	120	300
Scheduled depreciation of property, plant and equipment	8	8
Other administrative expenses	109	117
Balance of other operating income / expenses	12	-4
Net income for the year by segments	12	-222
Assets	1,006	4,569
Consolidation	06/30/2004	06/30/2003
Net interest income		
Net commission income		
Trading profit		
Net income from financial assets		
Personnel expenses		
Scheduled depreciation of property, plant and equipment		
Other administrative expenses	-22	
Balance of other operating income / expenses		
Net income for the year by segments	22	
Assets	-1,040	-4,795
Group	06/30/2004	06/30/2003
Net interest income	166	217
Net commission income	939	474
Trading profit	2,155	1,162
Net income from financial assets	0	53
Personnel expenses	1,203	1,461
Scheduled depreciation of property, plant and equipment	97	148
Other administrative expenses	2,340	1,969
Balance of other operating income / expenses	35	9
Net income for the year by segments	-302	-1,456
Assets	19,800	20,483

Our IPO business did not lead to any notable sales in fiscal year 2003, and was discontinued effective December 31, 2003.

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