



Märkte · Wertpapiere · Börsen

3rd Quarter Report 2004

2004

**MWB**  
WERTPAPIERHANDELSHAUS  
AKTIENGESELLSCHAFT

## At a glance

MWB Group	1 <sup>st</sup> - 3 <sup>rd</sup> Quarter, 2004		1 <sup>st</sup> - 3 <sup>rd</sup> Quarter, 2003		+/- in %
Commission result	TEUR	1,223	TEUR	757	+62 %
Trading result	TEUR	2,580	TEUR	2,141	+21 %
Personnel expenses	TEUR	1,808	TEUR	2,131	-15 %
Administrative expenses	TEUR	3,585	TEUR	3,157	+14 %
Profit from ordinary activities	TEUR	-1,297	TEUR	-2,058	+37 %
Net loss	TEUR	-1,359	TEUR	-1,953	+30 %
Balance sheet total	TEUR	18,402	TEUR	19,778	-7 %
Equity	TEUR	16,142	TEUR	17,935	-10 %
Earnings per share	€	-0.28	€	-0.41	+32 %
Number of employees		30		29	+3 %

## Financial Calendar

Datum	Thema	Ort
11/09/2004	Analyst Conference	Frankfurt
11/13/2004	Munich Stock Exchange Day	Munich
12/04/2004	Berlin Stock Exchange Day	Berlin

## 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

Bettina Schmidt  
Phone: +49 89 85852-305  
E-Mail: [investor-relations@mwb.de](mailto:investor-relations@mwb.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  
Wertpapierfirmen an den deutschen  
Börsen e.V.

# Business in the first nine months of 2004

The year got off to a very promising start in January and February, however since then we have seen that this was a flash in the pan. The slump in stock market trading at the end of the second quarter continued seamlessly into the third quarter, and climaxed in a very weak August. Even though MWB AG was able to again improve its earnings compared to the same period of the previous year, the interim results are more disappointing than had been expected. This is primarily due to constant high oil prices, which has impacted the entire global economy. In addition, stagnating growth forecasts for countries in the EU and increasing interest rates in the US also marred the general mood. September didn't bring any good cheer, even though the DAX once again cautiously approached the 4,000 point threshold. And yet the reserved figures for October, which is traditionally a strong month, give reason to fear that the sideways movement will continue to the end of the year.

This certainly isn't good news for a securities trading company. Despite our well-timed strategic reorientation to new areas of business, the situation on the financial markets is reflected in MWB AG's negative results for the quarter. This also put pressure on MWB's shares. After reaching their lowest price for the quarter of € 1.93 in the third week of September, the share price lifted again by the end of October to € 2.30. No cause for a celebration, but this is still up on the average share price during the first nine months of the previous year.

## Trading and Specialist Business

A downturn in trading for international stocks was already apparent in May, and this trend reached its climax in the third quarter. Turnover totaled just

€ 43.4 billion and was even slightly lower than turnover in Q3 2003. This is clear evidence of the great uncertainty felt by investors. It is clear to see that even institutional investors are being influenced more strongly by Germany's bad tidings than by the many positive reports from companies abroad.

The limited opportunities for trading led to a weak contribution by the Specialist Business division to MWB AG's earnings. However, this is a development that we had forecast at the start of the year and which was balanced out with a revival in other divisions. Despite the difficult conditions, MWB AG's trading profits as of third quarter were still up 20% on the third quarter of 2003. Positive growth at our Asia Trading Desk was also very pleasing. Trading in Asian stocks which we initiated, including 28 Indonesian Blue Chips, made a 13% contribution to our trading profits. This is a very respectable result for a division that was only established in April 2004.

## Institutional Sales / Order Execution

By its very nature, Order Execution for banks suffered from the investors' reserved behavior already described. The number of orders fell greatly in August in particular and the low turnover during the ensuing upturn suggest that institutional investors are currently also tending to wait rather than act. In spite of this, however, the division again contributed half of the commission income, and thus showed that it is stable. MWB AG continues to be interested in acquiring new mandates for Designated Sponsoring and is continuing to purposefully pursue acquisition opportunities.

## MWB Baden GmbH

Our affiliated company, MWB Baden GmbH, was once again able to grow quarter-on-quarter. The assets managed totaled € 18.3 million as of September 30, 2004 – up 8%. The number of customers grew between June 30 and September 30, 2004 from 216 to 242. The contribution to MWB's total commission income was stable at around 22%. Private Asset Management, which is covered by our affiliate, also grew positively and will also make a pleasing contribution to earnings in future.

## Results

### Notes to the consolidated quarterly financial statements

The MWB Group has prepared its consolidated financial statements for the third quarter 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 € -0.28 (previous year: € -0.41).

### Accounting and valuation policies

The single-entity financial statements of the companies included in consolidation are included in the consolidated financial statements of MWB Wertpapier





*"We still aim to return to the profit zone as fast as possible and to boost our enterprise value."*

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

handelshaus AG. Uniform accounting and valuation principles are applied. The consolidated financial statements as of September 30, 2004 include MWB Wertpapierhandelshaus AG as the parent company, the wholly-owned subsidiary MWB Wertpapierhandelsbank GmbH and the 60% interest MWB Baden 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**

If we review the year as a whole, we have been able to improve our commission income and trading profits year-on-year. The commission income increased during the first three quarters by € 466 thousand to € 1,223 thousand, or by more than 60%. Trading profits increased slightly from € 2,141 thousand to € 2,580 thousand. Whereas our Sales/Order Execution division made the largest contribution to commission income, the main player for trading profits was Specialist Business with 76%, followed by Asia Trading. At first glance these results are excellent,

however these are primarily due to the superb first quarter. Taken on its own, the third quarter was the worst of the year for MWB AG. From July to September 2002, commission income totaled € 284 thousand, and is thus at the previous year's level. The quarterly trading profits were significantly lower at € 425 thousand.

#### **General administrative expenses**

In total, turnover was up on the same period of the previous year, which also led to a slight increase in general administrative expenses. These totaled € 5,393 thousand as of September 30, 2004, which corresponds to growth of around 2%. This increase is solely due to the higher transaction-dependent costs and thus the other administrative expenses of € 3,585 thousand, and is not due to personnel costs. It's quite the opposite: We again succeeded in reducing personnel costs – as in the second quarter – despite increasing the team from 28 to 30 employees. Compared to € 2,131 thousand, personnel costs in the first nine months of 2004 totaled only € 1,808 thousand. 2005 will bring with it a further reprieve since the salaries for the two former members of the Managing Board will no longer be paid from January. This means that MWB AG is still keeping its sights set on its responsible costs policy.



## **Profits from ordinary activities and net loss**

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Profits from ordinary activities also improved from January to September, in parallel to the commission income and trading profits. As of September 30, 2004, this totaled € -1,297 thousand, compared to € -2,058 thousand in the previous year. The net loss thus fell from € -1,953 thousand to € -1,381 thousand. This is a step in the right direction, however it will not be enough to bring MWB back into the black in 2004. The reasons for this become apparent if we consider the third quarter on its own: € -543 thousand in the previous year now faces profits from ordinary activities of € -1,049 thousand. This is almost the same as the total for the whole of 2004.

## **Equity and liquidity**

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If three tough years on the stock markets have hardly been able to mar MWB AG's substance, then that's certainly not about to happen now. Our situation remains stable with cash and cash equivalents totaling € 10.9 million (December 31, 2003: € 13.3 million). This also applies to equity, which fell by € 1.2 million to € 16.1 million between June 30 and September 30, 2004, but which still corresponds to an unchanged high equity ratio of 88%.

## **Own shares**

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On the balance sheet date, the company

held 127,070 own shares. A total of 114,590 shares were bought and 120,043 shares were sold between January and September 2004. The average acquisition price totaled € 3.01, the average selling price € 2.58. This corresponds to a nominal value of 127,070 and a 2.55% interest in the share capital.

Institutional Sales, limits our risks and increases our opportunities. And last but not least, Herbert Schuster, who joined our board on August 1 and who is responsible for our securities business, is a manager who will provide a major impetus. We still aim to return to the profit zone as fast as possible and to boost our enterprise value.

## **Outlook**

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The last few months have shown us that stock markets are still in convalescence after several years which have sapped their strength. However, investors' interest is also not as strong as it was. Reactions to changes on the market or corporate results are either delayed or are omitted entirely. The increasing oil price, which was not a surprise for many market players, led to far larger downturns than would have been the case in previous years. In short: The feeling of insecurity has not lessened, but has grown. In view of this, it is difficult for securities trading companies to maintain their position. This is why we regrettably have to revise our mid-year forecast. In view of the market environment, we are no longer likely to close 2004 with a balanced result.

Dependency on capital markets is quite simply an integral part of our business. However, MWB AG still has an excellent position even with this dependency. The fact that we have several divisions, from Specialist Business through to



# Consolidated Balance Sheet according to International Financial Reporting Standards

as of September 30, 2004

## Assets

	09/30/2004	12/31/2003
	EUR	EUR
Cash reserve	1,101.87	292.43
Receivables from banks	11,086,722.20	13,467,025.53
Assets held for dealing purposes	1,724,101.08	892,208.58
Financial assets	2,435,479.42	2,435,479.42
Tangible assets	642,226.79	589,988.50
Income tax assets	1,302,686.78	1,272,760.50
Other assets	1,209,650.23	1,119,961.78
<b>Total assets</b>	<b>18,401,968.37</b>	<b>19,777,716.74</b>

## Liabilities and Equity

	09/30/2004	12/31/2003
	EUR	EUR
Liabilities to banks	179,186.39	126,648.34
Liabilities from dealing activities	77,428.93	14,241.71
Provisions	780,488.25	736,320.00
Income tax liabilities	176,377.81	154,625.52
Other liabilities	949,568.86	1,150,000.41
Minority interest	96,499.91	74,454.72
<b>Equity</b>	<b>16,142,418.22</b>	<b>17,521,426.04</b>
Subscribed capital	4,982,700.00	4,982,700.00
Capital reserves	24,825,551.32	24,825,551.32
Retained earnings	8,768,768.22	8,751,112.47
Revaluation surplus	0.00	0.00
Depreciation of own shares	-2,362,278.51	-2,364,549.99
Unappropriated loss	-20,072,322.81	-18,673,387.76
<b>Total liabilities and equity</b>	<b>18,401,968.37</b>	<b>19,777,716.74</b>

# Consolidated Profit and Loss Account according to International Financial Reporting Standards

for the Period from January 1 to September 30, 2004

	01/01/–09/30/2004	01/01/–09/30/2003
	EUR	EUR
Interest income	245,451.91	304,913.87
Interest expenses	-1,192.17	-2,016.72
<b>Net interest income</b>	<b>244,259.74</b>	<b>302,897.15</b>
Commission income	1,725,793.84	942,743.78
Commission expenses	-502,760.71	-185,787.48
<b>Net commission income</b>	<b>1,223,033.13</b>	<b>756,956.30</b>
Trading income	5,301,105.49	4,310,793.56
Trading expenses	-2,721,392.31	-2,169,653.77
<b>Trading profit</b>	<b>2,579,713.18</b>	<b>2,141,139.79</b>
Net income from financial assets	0.00	17,954.39
Administrative expenses	-5,393,133.93	-5,288,582.78
Balance of other income / expenses	49,191.52	11,279.72
Profit from ordinary activities	-1,296,936.36	-2,058,355.43
Income taxes on profit from ordinary activities	-62,297.75	105,502.42
Net loss	-1,359,234.11	-1,952,853.01
Minority interest of net profit	-22,045.19	0.00
Net loss without minority interest	-1,381,279.30	-1,952,853.01
Profit carried forward from previous year	-18,673,387.76	-16,211,917.55
Transfer to retained earnings	-17,655.75	527,642.90
Unappropriated profit/loss	<b>-20,072,322.81</b>	<b>-17,637,127.66</b>

# Consolidated Profit and Loss Account according to International Financial Reporting Standards

Quarter-by-quarter comparison

	3rd Quarter 2004	3rd Quarter 2003
	EUR	EUR
Interest income	78,421.17	86,832.85
Interest expenses	-116.05	-625.42
<b>Net interest income</b>	<b>78,305.12</b>	<b>86,207.43</b>
Commission income	418,717.51	356,198.11
Commission expenses	-134,340.46	-73,708.12
<b>Net commission income</b>	<b>284,377.05</b>	<b>282,489.99</b>
Trading income	1,552,021.25	1,804,169.16
Trading expenses	-1,127,089.55	-824,741.53
<b>Trading profit</b>	<b>424,931.70</b>	<b>979,427.63</b>
Net income from financial assets	0.00	-35,223.61
Administrative expenses	-1,850,595.97	-1,858,977.68
Balance of other income / expenses	13,956.59	2,653.79
<b>Profit from ordinary activities</b>	<b>-1,049,025.51</b>	<b>-543,422.45</b>
Income taxes on profit from ordinary activities	-8,506.88	46,972.74
<b>Net loss</b>	<b>-1,057,532.39</b>	<b>-496,449.71</b>
Minority interest of net profit	-4,855.65	0.00
<b>Net loss without minority interest</b>	<b>-1,062,388.04</b>	<b>-496,449.71</b>
Profit carried forward from previous year	0.00	33,590.15
Transfer to retained earnings	-33,553.76	244,363.98
<b>Unappropriated profit/loss</b>	<b>-1,095,941.80</b>	<b>-218,495.58</b>

# Statement of Changes in Equity

for the Period from January 1 to September 30, 2004

	2004 TEUR	2003 TEUR
<b>Equity as of January 1</b>	17,521	19,736
<b>Subscribed capital</b>		
As of January 1	4,983	4,983
As of September 30	4,983	4,983
<b>Capital reserves</b>		
As of January 1	24,825	24,825
As of September 30	24,825	24,825
<b>Retained earnings</b>		
As of January 1	8,751	8,618
Change	17	-494
As of September 30	8,768	8,124
<b>Revaluation surplus</b>		
As of January 1	0	-53
Change	0	53
As of September 30	0	0
<b>Own shares</b>		
As of January 1	-2,365	-2,425
Change	3	65
As of September 30	-2,362	-2,360
<b>Consolidated profit</b>		
As of January 1	-18,673	-16,212
Change in unappropriated profit	-1,399	-1,425
As of September 30	-20,072	-17,637
<b>Equity as of September 30</b>	16,142	17,935

# Consolidated Cash Flow

for the Period from January 1 to September 30, 2004

	01/01/-09/30/2004 TEUR	01/01/-09/30/2003 TEUR
<b>Consolidated net profit</b>	-1,381	-1,953
<b>Adjustment to the reconciliation of the consolidated net profit to the cash flow from operating activities</b>		
Depreciation, write-downs and write-ups on receivables, property, plant and equipment and financial assets	168	233
Change in long-term provisions	44	249
Loss from disposal of financial assets	0	35
Minority interest	22	0
Other adjustments (balance)	-638	-784
	-1,785	-2,220
<b>Change in assets and liabilities from operating activities</b>		
Change in receivables from customers	29	-19
Change in trading position	-769	-343
Change in other assets from operating activities	-148	516
Change in other liabilities from operating activities	-156	-50
Interest received and dividends	164	233
Interest paid	-1	-2
Received income tax	-25	0
<b>Cash flow from operating activities</b>	-2,691	-1,885
Proceeds from disposal of financial assets	0	223
Investments in property, plant and equipment	-209	-87
Investment in financial assets	0	0
Change in cash flow from other investing activities	0	53
<b>Cash flow from investing activities</b>	-209	189
Net-change in purchases and sales of own shares	469	558
Dividends paid	0	0
<b>Cash flow from financing activities</b>	469	558
<b>Change in cash and cash equivalents</b>	-2,431	-1,138
<b>Cash and cash equivalents at beginning of the period</b>	13,340	14,833
<b>Cash flow from operating activities</b>	-2,691	-1,885
<b>Cash flow from investing activities</b>	-209	189
<b>Cash flow from financing activities</b>	469	558
<b>Cash and cash equivalents at end of period</b>	10,909	13,695

# Segment Reporting

as of September 30, 2004

Specialist Business, Securities Trading	09/30/2004 TEUR	09/30/2003 TEUR
Net interest income	206	274
Net commission income	913	577
Trading profit	2,580	2,141
Net income from financial assets	0	-35
Personnel expenses	1,638	1,755
Scheduled depreciation of property, plant and equipment	139	211
Other administrative expenses	3,465	2,991
Balance of other operating income / expenses	36	15
Net income for the year by segments	-1,400	-1,669
Assets	18,262	23,160
Asset Management, IPOs	09/30/2004 TEUR	09/30/2003 TEUR
Net interest income	38	29
Net commission income	310	180
Trading profit	0	0
Net income from financial assets	0	53
Personnel expenses	170	376
Scheduled depreciation of property, plant and equipment	11	12
Other administrative expenses	137	166
Balance of other operating income / expenses	13	-4
Net income for the year by segments	24	-284
Assets	1,007	4,479
Consolidation	09/30/2004 TEUR	09/30/2003 TEUR
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	-17	
Balance of other operating income / expenses		
Net income for the year by segments	17	
Assets	-867	-7,231
Group	09/30/2004 TEUR	09/30/2003 TEUR
Net interest income	244	303
Net commission income	1,223	757
Trading profit	2,580	2,141
Net income from financial assets	0	18
Personnel expenses	1,808	2,131
Scheduled depreciation of property, plant and equipment	150	223
Other administrative expenses	3,585	3,157
Balance of other operating income / expenses	49	11
Net income for the year by segments	-1,359	-1,953
Assets	18,402	20,408

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

## Märkte · Wertpapiere · Börsen

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