

Märkte · Wertpapiere · Börsen

First Quarter Report 2005

2005



WERTPAPIERHANDELSHAUS
AKTIENGESELLSCHAFT

At a glance

MWB Group	1 st Quarter, 2005		1 st Quarter, 2004	+/- in %
Comission result	TEUR	718	TEUR 458	+57 %
Trading result	TEUR	1,683	TEUR 1,216	+38 %
Personnel expenses	TEUR	570	TEUR 589	-3 %
Administrative expenses	TEUR	1,337	TEUR 1,147	+17 %
Profit from ordinary activities	TEUR	613	TEUR 21	+2,819 %
Net profit	TEUR	559	TEUR 17	+3,188 %
Balance sheet total	TEUR	18,875	TEUR 20,114	-6 %
Equity	TEUR	15,976	TEUR 17,776	-10 %
Earnings per share	€	0.115	€ 0.002	+5,650 %
Number of employees		26	27	-4 %

Financial Calendar

Date	Topic	Place
06/18/2005	Participation at Nürnberg Stock Exchange Day	Nürnberg
07/12/2005	Annual Shareholder's meeting	Munich
07/26/2005	Publication of semiannual figures 2005	
10/25/2005	Publication of third quarter figures 2005	
4 th quarter	Analysts conference	Frankfurt a. M.

The Company

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Founded in 1993

Board of Management

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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 quarter 2005

Quarterly results for MWB AG haven't been nearly this good since 2000. The significant increase in net income compared to Q1 2004 indicates that securities business is once again a profitable venture for MWB. And we're all the more pleased to report that, because the high targets we had set ourselves were only partially fulfilled in 2004, and 2005 promises substantially more. However there is still no reason for effusive optimism: the mood on the financial markets has only improved slightly, and the underlying conditions are weak. That is primarily reflected in the stock market indices, which have rapidly lost momentum after an excellent start to the year. The DAX peaked for the year at 4,435 points, however this was just a brief interlude, which had once again transitioned into a sideward shift by the end of the quarter.

Despite excellent corporate results in Germany and attractive dividend payouts, too many factors are putting the brakes on the cautious upswing. In addition to economic factors such as the unchanged high energy prices and the continuing bull bond market, emotions are having a key impact: disputed reforms, fear of job losses, and discussions on what is moral and immoral in a globalized market economy are not exactly beneficial for the mood on the stock market. Right now, investors are tending to take short-term profits instead of making long-term strategic investments. Even two successful IPOs in the first quarter were not able to turn the mood around. However, the two vastly oversubscribed IPOs for Premiere AG and Conergy AG prove that there is a fundamental interest in securities.

In view of the scepticism shown by both retail and institutional investors,

securities trading companies are, by their very nature, having a hard time in unfolding their full potential. In turn, this is reflected in our share price, which fell again to € 2.26 as of March 31, 2005 after peaking at € 2.45. In view of the positive quarterly earnings and continued excellent opportunities for trading, we hope that our company will enjoy a fair valuation during the course of the year.

Foreign Stocks

Unfortunately, the surge in trading in foreign stocks in the first quarter of 2004 did not repeat itself during in 2005. Turnover totaled € 58.3 billion, around 16% down on the first quarter of last year, however still significantly higher than in the last three quarters of 2004. We can certainly talk of stabilization. Trading opportunities in particular have improved further. A contributing factor was certainly our proprietary trading, which we have expanded again since January. In addition to Asian commodities and securities, we now cover interesting securities in other regions and industries. At the beginning of March we also successfully started OTC trading of 30 US Real Estate Investment Trusts (REITs) at the Munich Stock Exchange. These offer investors the opportunity to participate in the lucrative US real estate market. The 30 securities span all segments in the real estate sector, starting with hotels all the way through to shopping malls. As part of our expansion of our foreign stocks activities and the satisfactory turnover, we hired two additional specialists during the first quarter, who will work in Munich and Frankfurt.

Institutional Clients

Our Institutional Clients division played a significant role in MWB's successful

quarterly results. It contributed 62 % to commission income, thus increasing for the second successive quarter. The high capital expenditure in this division is thus already paying off after just a short period. In addition, in February and March we were able to acquire two designated sponsoring mandates. The new customers are the financial services company IFEX N.V. and Wapme Systems AG, a mobile Internet pioneer. For IFEX N.V., we arranged a private placement totaling € 2.7 million as part of a capital increase. In February, SOLON AG engaged us to place € 11 million with institutional investors. As a result of the increased volume of orders and business, we also hired an additional employee to support our institutional customers during the first quarter of 2005.

Private Clients

Earnings from our 60% subsidiary, MWB Baden GmbH, were again pleasing in the first quarter. The assets managed in the private clients segment totaled € 23.3 million as of March 31, 2005 – or an increase of around 27 percent on the same quarter of the previous year. We were also able to significantly increase the number of clients to a current total of 314. In total, our Offenburg colleagues contributed 12% of our commission income, thus proving that they are reliable and growth-oriented partners.

Results

Notes to the consolidated quarterly financial statements

The MWB Group has prepared its consolidated financial statements for the first quarter of 2005 in line with the International Financial Reporting Standards (IFRS) of the International Account-





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

ting 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 € 0.115 (previous year: € 0.002).

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 March 31, 2005 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, 2004. 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

Compared to the first quarter of 2004, which already went well, we were able to improve yet again in the New Year. Commission income increased significantly in the first quarter of 2005 from € 458 thousand to € 718 thousand. The difference is even more marked when it comes to trading profits: up by 38% from € 1,216 thousand in Q1 2004 to € 1,683 thousand in Q1 2005. This clearly underscores the return to a mostly normalized stock market. This very positive growth focused on our Institutional Clients division, which contributed 62% to our commission income and gained in importance compared to Foreign Stocks (26%) and Private Clients (12%). The primary reasons for this were increased revenues from the business complementing designated sponsoring.

Trading profits present a different picture – which is, by its very nature, dominated by our Foreign Stocks division. This division contributed 69% to earnings, with Institutional Clients also up at 25%. As part of our newly introduced profit center accounting, which reviews each area of our company for profitability, the Q1 2005 financial statements also include our Treasury result, i.e., the result from our Management



and Administrative area. The 6% contribution results from interest, currency gains and the net gain from own-account investments.

General administrative expenses

The introduction of performance-oriented payment with a simultaneous cut in fixed salaries not only safeguarded our employees' jobs, but has also had an impact on personnel expenses – which we cut once again by € 19 thousand compared to Q1 2004 to € 570 thousand.

This was due to factors including a cut in Management Board salaries – which expresses our management's high sense of identification with and close loyalty to our company. However this means that opportunities for cutting personnel costs are at an end. In the coming quarters, expanding our team by adding three new employees will impact costs. In line with the higher commission income and trading profits, other administrative expenses also increased strongly, corresponding to our turnover. They totaled € 1,337 thousand compared to € 1,147 thousand in Q1 2004. However, this amount also includes provisions, which we have formed with a conscious sense of prudence.

Profits from ordinary activities and net income

The excellent commission income and trading profits meant that the profits

from ordinary activities were significantly up on the figure from Q1 2004. The increase from € 21 thousand to € 613 thousand is a very significant improvement. The increase in net income was of a corresponding magnitude, totaling € 560 thousand as of March 31, 2005.

Equity and liquidity

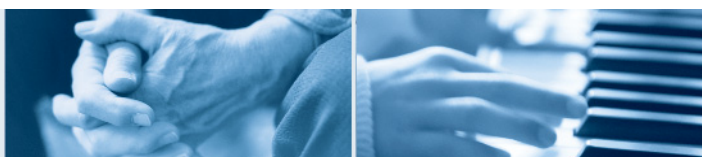
Past fears that MWB AG would start to consume equity during weak stock market periods have not been vindicated. Now, in contrast, the positive market growth is bringing with it a slight improvement to our equity situation. At the end of the first quarter of 2005, equity increased to € 15,976 thousand compared to € 15,460 thousand at the end of 2004. On December 31, 2004 cash and cash equivalents totaled € 10,361 and increased to € 11,487 thousand. This increase gives grounds to hope that over the long term we will be able to amortize the losses incurred during the past few years.

Own shares

On the balance sheet date, the company held 132,779 own shares. A total of 19,765 shares were bought and 3,513 shares were sold between January and March 2005. The average purchase price was € 2.32, and the average selling price was € 2.30. This corresponds to a nominal value of € 132,779 and a 2.66% interest in the share capital.

Outlook

The first three months of the year have shown that MWB is able to hit the profit zone on a stock market which is returning to normality. However, our bitter experiences in 2004 show that one excellent quarter is not enough to balance out a massive slump over the course of the year. Right now, there are a lot of reasons to preach a cautious approach: growth forecasts that have been pegged down, high oil prices and the current, negative Ifo business climate index point towards 2005 not being an easy year for us either. In spite of this, however, we are sticking to our target of generating a positive overall result. Contributing factors will be, without a doubt, the further expansion of our Institutional Clients division, which is playing an increasingly important role for MWB's sales and earnings. In our former core segment, Specialist Business, we are continuing to keep a critical eye on the costs involved with the MAX-ONE trading system at the Munich Stock Exchange. In general over the next few months, cost consciousness will play a major role. In line with our practice to date, we will weigh up every investment and every personnel decision painstakingly and in great depth, and adapt them flexibly to the situation on the market. That will retain our capacity for acting and will secure the company's quality.



Consolidated Balance Sheet according to International Financial Reporting Standards

as of March 31, 2005

Assets

	03/31/2005		12/31/2004
	EUR		EUR
Cash reserve	783.48		271.66
Receivables from banks	11,704,267.84		10,551,140.22
Assets held for dealing purposes	1,517,578.57		1,990,005.36
Financial assets	2,435,479.42		2,435,479.42
Intangible assets	236,691.80		253,584.54
Property, plant and equipment	364,850.30		382,414.66
Income tax assets	1,281,614.07		1,277,476.20
Other assets	1,334,059.59		1,228,931.87
Total assets	18,875,325.07		18,119,303.93

Liabilities and Equity

	03/31/2005		12/31/2004
	EUR		EUR
Liabilities to banks	218,097.76		189,700.21
Liabilities from dealing activities	22,300.84		11,594.82
Provisions	824,382.50		806,770.00
Income tax liabilities	255,580.74		207,092.34
Other liabilities	1,470,993.50		1,342,342.00
Minority interest	107,927.77		102,191.10
Equity	15,976,041.96		15,459,613.46
Subscribed capital	4,982,700.00		4,982,700.00
Capital reserves	24,825,551.32		24,825,551.32
Retained earnings	8,910,377.75		8,884,846.46
Revaluation surplus	0.00		0.00
Depreciation of own shares	-2,389,891.55		-2,353,034.02
Unappropriated loss	-20,352,695.56		-20,880,450.30
Total liabilities and equity	18,875,325.07		18,119,303.93

Consolidated Profit and Loss Account according to International Financial Reporting Standards

for the Period from January 1 to March 31, 2005

	01/01/ – 03/31/2005		01/01/ – 03/31/2004
	EUR		EUR
Interest income	80,147.11		75,704.00
Interest expenses	-645.39		-519.77
Net interest income	79,501.72		75,184.23
Commission income	1,266,075.60		593,455.65
Commission expenses	-548,315.03		-135,783.17
Net commission income	717,760.57		457,672.48
Trading income	2,992,414.75		2,057,480.32
Trading expenses	-1,309,436.74		-841,572.86
Trading profit	1,682,978.01		1,215,907.46
Net income from financial assets	0.00		0.00
Administrative expenses	-1,906,546.05		-1,735,665.66
Balance of other income / expenses	39,757.99		7,504.47
Profit from ordinary activities	613,452.24		20,602.98
Income taxes on profit from ordinary activities	-54,429.54		-3,929.99
Net profit	559,022.70		16,672.99
Minority interest of net profit	-5,736.67		-7,655.27
Net profit without minority interest	553,286.03		9,017.72
Profit carried forward from previous year	-20,880,450.30		-18,673,387.76
Transfer to retained earnings	-25,531.29		188,574.17
Unappropriated profit / loss	-20,352,695.56		-18,475,795.87

Statement of Changes in Equity

for the Period from January 1 to March 31, 2005

	2005 TEUR		2004 TEUR
Equity as of January 1	15,460		17,521
Subscribed capital			
As of January 1	4,983		4,983
As of March 31	4,983		4,983
Capital reserves			
As of January 1	24,825		24,825
As of March 31	24,825		24,825
Retained earnings			
As of January 1	8,885		8,751
Change	25		-188
As of March 31	8,910		8,563
Revaluation surplus			
As of January 1	0		0
Change	0		0
As of March 31	0		0
Own shares			
As of January 1	-2,353		-2,365
Change	-37		246
As of March 31	-2,390		-2,119
Consolidated profit			
As of January 1	-20,880		-18,673
Change in unappropriated profit	527		197
As of March 31	-20,353		-18,476
Equity as of March 31	15,975		17,776

Consolidated Cash Flow

for the Period from January 1 to March 31, 2005

	01/01/ – 03/31/2005		01/01/ – 03/31/2004
	TEUR		TEUR
Consolidated net profit	553		9
Adjustment to the reconciliation of the consolidated net profit to the cash flow from operating activities			
Depreciation, write-downs and write-ups on receivables, intangible assets, property, plant and equipment and financial assets	46		62
Change in long-term provisions	17		15
Loss from disposal of financial assets	0		0
Change in minority interest	6		8
Other adjustments (balance)	-115		-585
	507		-491
Change in assets and liabilities from operating activities			
Change in receivables from customers	-31		-22
Change in trading position	484		-778
Change in other assets from operating activities	-78		-154
Change in other liabilities from operating activities	178		-13
Interest received	53		58
Interest paid	-1		-1
Received income tax	-8		0
Cash flow from operating activities	1,104		-1,401
Proceeds from disposal of financial assets	0		0
Investments in property, plant and equipment	-12		-106
Investment in financial assets	0		0
Change in cash flow from other investing activities	0		0
Cash flow from investing activities	-12		-106
Net-change in purchases and sales of own shares	34		768
Dividends paid	0		0
Cash flow from financing activities	34		768
Change in cash and cash equivalents	1,126		-739
Cash and cash equivalents at beginning of the period	10,361		13,340
Cash flow from operating activities	1,104		-1,401
Cash flow from investing activities	-12		-106
Cash flow from financing activities	34		768
Cash and cash equivalents at end of period	11,487		12,601

Segment Reporting

as of March 31, 2005

Specialist Business, Securities Trading	03/31/2005	03/31/2004
	TEUR	TEUR
Net interest income	75	58
Net commission income	628	364
Trading profit	1,683	1,216
Personnel expenses	525	537
Scheduled depreciation of property, plant and equipment and intangible assets	41	55
Other administrative expenses	1,311	1,104
Balance of other operating income / expenses	40	8
Net income	544	0
Assets	18,672	19,980

Asset Management	03/31/2005	03/31/2004
	TEUR	TEUR
Net interest income	4	17
Net commission income	90	94
Trading profit	0	0
Personnel expenses	45	52
Scheduled depreciation of property, plant and equipment and intangible assets	4	5
Other administrative expenses	25	67
Balance of other operating income / expenses	0	0
Net income	16	-7
Assets	1,048	4,500

Consolidation	03/31/2005	03/31/2004
	TEUR	TEUR
Net interest income		
Net commission income		
Trading profit		
Personnel expenses		
Scheduled depreciation of property, plant and equipment and intangible assets		
Other administrative expenses	1	-24
Balance of other operating income / expenses		
Net income	-1	24
Assets	-845	-4,366

Group	03/31/2005	03/31/2004
	TEUR	TEUR
Net interest income	79	75
Net commission income	718	458
Trading profit	1,683	1,216
Personnel expenses	570	589
Scheduled depreciation of property, plant and equipment and intangible assets	45	60
Other administrative expenses	1,337	1,147
Balance of other operating income / expenses	40	8
Net income	559	17
Assets	18,875	20,114

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