



Märkte · Wertpapiere · Börsen

Half-year Report 2005

2005

**MWB**  
WERTPAPIERHANDELSHAUS  
AKTIENGESELLSCHAFT

## At a glance

MWB Group	Half-year, 2005		Half-year, 2004	+/- in %
Commission result	TEUR	1,306	TEUR	939
Trading result	TEUR	2,499	TEUR	2,155
Personnel expenses	TEUR	1,036	TEUR	1,203
Administrative expenses	TEUR	2,548	TEUR	2,340
Profit from ordinary activities	TEUR	465	TEUR	-248
Net profit	TEUR	447	TEUR	-302
Balance sheet total	TEUR	19,058	TEUR	19,800
Equity	TEUR	16,076	TEUR	17,302
Earnings per share	€	0.09	€	-0.06
Number of employees		28		± 0 %

## Financial Calendar

Date	Topic	Place
10/05/2005	Investors Meeting of Scherrer Asset Management	Zürich
10/25/2005	Publication of third quarter figures 2005	
4 <sup>th</sup> quarter	Analysts conference	Frankfurt a. M.

## The Company

### MWB Wertpapierhandelshaus AG

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Phone: +49 89 85852-0  
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E-Mail: info@mwb.de  
Internet: www.mwb.de  
Registered with the local Court of  
Munich, HRB 123 141  
Founded in 1993

### Board of Management

Thomas Posovatz  
Herbert Schuster

### Investor Relations

Bettina Schmidt  
Phone: +49 89 85852-305  
E-Mail: 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 six months of 2005

The stock market is showing its muscles: during the first six months, a new three-year high was reported every few weeks. And the DAX lifted to just short of 4,600 points in July. For MWB, this means that consolidation is continuing. After an excellent first quarter, turnover in April and May was significantly lower, however it was possible to at least partially compensate for this interim lull in June – a friendly month. Even though the second quarter could not match Q1, at the end of the day results for the first half of the year are pleasing – and significantly better than in the first half of 2004. As a result, the trading volume for MWB's shares increased and the share price recovered, closing at € 2.59 on June 30, 2005.

The friendly tendencies on the capital markets may seem perplexing at first glance – the underlying conditions were certainly anything but convincing. The price of oil surged from mid-May to the start of June to a record-breaking € 61.55 per barrel, private consumption remained rock steady, and the enthusiasm among private investors for stocks and funds has still not been rekindled. That means that the excellent stock markets were driven by the futures market, and were determined by institutional investors. Nothing can shake their regained confidence in the financial markets. The most impressive example of this is the reaction to the terrorist attacks in London. It only took one day – and then the slump in prices caused by the initial shock turned around and prices lifted again. That means that stock markets have returned to an unexpected stability – in Germany this confidence is still supported by the announcement of a general election, which is promising institutional investors a stable political situation.

## Foreign Stocks

The second quarter of 2005 did not bring the hoped-for increase in turnover for foreign stocks. The weak figures in April and May were primarily responsible for turnover falling slightly compared to both the first quarter and also the first half of 2004. Irrespective of this, the markets have stabilized at a low level. There will only be notable increases in this sector when private investors stop being so reserved. Despite the modest environment, the ratio of specialist business to total commission result remained almost constant at 26%.

Specialist business is thus still a key area for MWB, even if the advantages – the almost monopolistic support of a security on the respective stock exchange – bring with them the disadvantage of higher fixed costs. These fixed costs remain constant – even if turnover falls. However, we were able to defuse the cost situation for Max-One at the Munich Stock exchange – this is a market model we jointly developed – during the first half of 2005.

Positive impulses for our foreign stocks division also stemmed from proprietary trading, which continued to enjoy above-average growth. The proportion of proprietary trading to trading profits already totaled 18% in the first half of 2005, although the division was only called into being in April 2004.

## Institutional Clients

The institutional clients division continues to become more important, and makes us more independent of the daily ups and downs on the stock markets. In the first half of 2005, this division accounted for 59% of our total commission result – compared to 49%

in H1 2004. We have been able to establish ourselves as a respected market player for SMEs, and are still far from exploiting our full potential. We uphold the trust our customers and strategic alliance partners place in us – as is shown, for example, by our cooperation with the US investment bank Jefferies. Together with our colleagues in New York, we successfully placed a convertible bond for Solon AG in the sum of € 42.3 million. We are currently in negotiations with two further companies who would like us to be their designated sponsors.

## Private Clients

Private asset management – conducted by our subsidiary MWB Baden GmbH – continues to prove itself to be a stable division with growth perspectives. The assets managed totaled € 25.8 million at the end of June. This corresponds to growth of € 8.9 million compared to the first half of 2004. The number of customers also grew by more than 60% over the same period from 216 to 351. The contribution to total commission result also enjoyed positive growth: After 12% in the first quarter, it already totaled 16% after the first six months.

## Results

### Notes to the consolidated quarterly financial statements

The MWB Group has prepared its consolidated financial statements for the first half of 2005 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





*"The increased additions to equity funds in June and the surge in the DAX since the middle of July indicate that private investors are returning to the stock markets."*

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

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 EUR 0.09 (previous year: EUR -0.06).

#### **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, 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**

Commission income and trading profits were significantly better in the first half of 2005 compared to H1 2004 – up 39%. In absolute figures, they increased from EUR 939 thousand in H1 2004 to EUR 1,306 thousand in H1 2005. This was primarily due to the excellent growth recorded by the institutional clients division. Trading profits also increased by EUR 344 thousand to a total of EUR 2,499 thousand. As a result of the downturn in demand for foreign stocks, the increase is, however, lower than for commission income. However, the 16% growth shows that trading opportunities have, on the whole, improved. Our new proprietary trading division contributed a pleasing EUR 437 thousand to the trading profit. The excellent results in H1 2005 compared to H1 2004 are, however, offset by a downturn in Q2 2005 compared to Q1 2005. We were not able to meet the figures from Q1 2005 either for commission income or for trading profits.

#### **General administrative expenses**

Increasing turnover does not always mean higher costs. Despite the improved H1 results, we succeeded in keeping general administrative expenses stable. In so doing, we were able to neutralize the increase in other administrative expenses (which are due



to an increase in transaction-related costs) with lower personnel costs. Personnel costs fell by 14% to EUR 1,036 thousand – a direct result of our new, performance-related remuneration model for our trading employees. The removal of the third board member's salary as of January 1, 2005 has also had a positive impact. A key measure on the path to more cost transparency was the introduction of profit-center accounting, which has allowed us to improve the overall management of the company. For example, it allows us to evaluate and optimize the staffing situation in the individual profit centers. Thanks to our profit-center accounting, during the second quarter of 2005 we succeeded in reducing general administrative expenses by a further 12% compared to the first quarter.

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

After recording a loss for the first six months of 2004, MWB was significantly more stable in the first half of 2005. Positive growth led to significantly improved profits from ordinary activities, which lifted from EUR -248 thousand to EUR 465 thousand. The net income also enjoyed positive growth: compared to the first half of 2004 it improved from EUR -302 thousand to EUR 447 thousand. MWB has thus shown that its business model is feasible, and that it is able to work profitably on stock markets that have

now mostly normalized.

#### **Equity and liquidity**

MWB's equity situation relaxed as a result of the increased earnings and net income. Compared to December 31, 2004, equity grew by EUR 616 thousand. This means that equity is again in excess of EUR 16 million, which corresponds to an equity ratio of 84%. There was also a notable increase in cash and cash equivalents, which improved by EUR 484 thousand to EUR 10,846 thousand. In percentage terms, both figures are far in excess of the market average, and confirm that the path we have taken is correct – namely making the retention of the company's substance our top priority.

#### **Own shares**

On the balance sheet date, the company held 44,442 own shares. A total of 32,164 shares were bought and 104,249 shares were sold in the first six months of 2005. The average acquisition price totaled EUR 2.31, the average selling price totaled EUR 2.64. This corresponds to a nominal value of EUR 44,442 and a 0.89% interest in the share capital.

#### **Outlook**

Making a forecast for the coming six months has seldom been so difficult. Renewed attacks in London and the top Egyptian tourist destination of Sharm-

el-Sheik have shaken the very foundations of our Western values. Even though the stock markets scarcely appear to be impressed, nobody can predict what will happen if there is a longer series of terrorist attacks. On the other hand, the uncertainties are offset by a large number of positive factors, such as the pleasing economic figures from the US and the successes reported by German companies. These have been able to benefit the most from the current weak Euro – as Germany is still one of the world's top export countries. We also believe that the falling returns for bonds will give the equities markets a boost. This will make bonds significantly less attractive.

The increased additions to equity funds in June and the surge in the DAX since the middle of July indicate that private investors are returning to the stock markets. At the end of the month this was stable at around 4,900 points – a first sign of the upcoming general election, which is being welcomed equally by voters, companies and economic associations. However, before the September elections we expect that the third quarter will be rather slow – offering us solid, but hardly outstanding opportunities for trading. The surge in the stock markets that is both needed and long-anticipated is only likely to happen in Q4, marking the final return to normality. Even if our expectations are only partly accurate, MWB AG will close 2005 with positive results.



# Consolidated Balance Sheet according to International Financial Reporting Standards

as of June 30, 2005

## Assets

	06/30/2005	12/31/2004
	EUR	EUR
Cash reserve	583.05	271.66
Receivables from banks	11,330,368.84	10,551,140.22
Assets held for dealing purposes	1,925,643.89	1,990,005.36
Financial assets	2,435,479.42	2,435,479.42
Intangible assets	223,615.05	253,584.54
Property, plant and equipment	358,066.19	382,414.66
Income tax assets	1,302,860.23	1,277,476.20
Other assets	1,481,026.96	1,228,931.87
<b>Total assets</b>	<b>19,057,643.63</b>	<b>18,119,303.93</b>

## Liabilities and Equity

	06/30/2005	12/31/2004
	EUR	EUR
Liabilities to banks	485,137.65	189,700.21
Liabilities from dealing activities	77,271.50	11,594.82
Provisions	841,995.00	806,770.00
Income tax liabilities	249,554.96	207,092.34
Other liabilities	1,212,374.47	1,342,342.00
Minority interest	114,894.75	102,191.10
<b>Equity</b>	<b>16,076,415.30</b>	<b>15,459,613.46</b>
Subscribed capital	4,982,700.00	4,982,700.00
Capital reserves	24,825,551.32	24,825,551.32
Retained earnings	8,746,770.98	8,884,846.46
Revaluation surplus	0.00	0.00
Depreciation of own shares	-2,170,793.83	-2,353,034.02
Unappropriated loss	-20,307,813.17	-20,880,450.30
<b>Total liabilities and equity</b>	<b>19,057,643.63</b>	<b>18,119,303.93</b>

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

for the Period from January 1 to June 30, 2005

	01/01/ – 06/30/2005 EUR	01/01/ – 06/30/2004 EUR
Interest income	160,925.33	167,030.74
Interest expenses	-4,154.39	-1,076.12
<b>Net interest income</b>	<b>156,770.94</b>	<b>165,954.62</b>
Commission income	2,139,148.55	1,307,076.33
Commission expenses	-833,647.72	-368,420.25
<b>Net commission income</b>	<b>1,305,500.83</b>	<b>938,656.08</b>
Trading income	5,320,426.94	3,749,084.24
Trading expenses	-2,821,352.97	-1,594,302.76
<b>Trading profit</b>	<b>2,499,073.97</b>	<b>2,154,781.48</b>
Net income from financial assets	0.00	0.00
Administrative expenses	-3,584,056.57	-3,542,537.96
Balance of other income / expenses	87,902.56	35,234.93
Profit from ordinary activities	465,191.73	-247,910.85
Income taxes on profit from ordinary activities	-17,926.43	-53,790.87
<b>Net profit</b>	<b>447,265.30</b>	<b>-301,701.72</b>
Minority interest of net profit	-12,703.65	-17,189.54
Net profit without minority interest	434,561.65	-318,891.26
Profit carried forward from previous year	-20,880,450.30	-18,673,387.76
Transfer to retained earnings	138,075.48	15,898.01
<b>Unappropriated profit / loss</b>	<b>-20,307,813.17</b>	<b>-18,976,381.01</b>

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

Quarter-by-quarter comparison

	2nd Quarter 2005 EUR	2nd Quarter 2004 EUR
Interest income	80,778.22	91,326.74
Interest expenses	-3,509.00	-556.35
<b>Net interest income</b>	<b>77,269.22</b>	<b>90,770.39</b>
Commission income	873,072.95	713,620.68
Commission expenses	-285,332.69	-232,637.08
<b>Net commission income</b>	<b>587,740.26</b>	<b>480,983.60</b>
Trading income	2,328,012.19	1,691,603.92
Trading expenses	-1,511,916.23	-752,729.90
<b>Trading profit</b>	<b>816,095.96</b>	<b>938,874.02</b>
Net income from financial assets	0.00	0.00
Administrative expenses	-1,677,510.52	-1,806,872.30
Balance of other income / expenses	48,144.57	27,730.46
Profit from ordinary activities	-148,260.51	-268,513.83
Income taxes on profit from ordinary activities	36,503.11	-49,860.88
<b>Net profit</b>	<b>-111,757.40</b>	<b>-318,374.71</b>
Minority interest of net profit	-6,966.98	-9,534.27
<b>Net profit without minority interest</b>	<b>-118,724.38</b>	<b>-327,908.98</b>
Profit carried forward from previous year	0.00	0.00
Transfer to retained earnings	163,606.77	-172,676.16
<b>Unappropriated profit</b>	<b>44,882.39</b>	<b>-500,585.14</b>

# Statement of Changes in Equity

for the Period from January 1 to June 30, 2005

	2005 TEUR	2004 TEUR
<b>Equity as of January 1</b>	15,460	17,521
<b>Subscribed capital</b>		
As of January 1	4,983	4,983
As of June 30	4,983	4,983
<b>Capital reserves</b>		
As of January 1	24,825	24,825
As of June 30	24,825	24,825
<b>Retained earnings</b>		
As of January 1	8,885	8,751
Change	-138	-16
As of June 30	8,747	8,735
<b>Revaluation surplus</b>		
As of January 1	0	0
Change	0	0
As of June 30	0	0
<b>Own shares</b>		
As of January 1	-2,353	-2,365
Change	182	100
As of June 30	-2,171	-2,265
<b>Consolidated profit</b>		
As of January 1	-20,880	-18,673
Change in unappropriated profit	572	-303
As of June 30	-20,308	-18,976
<b>Equity as of June 30</b>	16,076	17,302

# Consolidated Cash Flow

for the Period from January 1 to June 30, 2005

	01/01/ - 06/30/2005 TEUR	01/01/ - 06/30/2004 TEUR
<b>Consolidated net profit</b>	435	-319
<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, intangible assets, property, plant and equipment and financial assets	94	98
Change in long-term provisions	35	29
Loss from disposal of financial assets	0	0
Change in minority interest	13	17
Other adjustments (balance)	631	-635
	1,208	-810
<b>Change in assets and liabilities from operating activities</b>		
Change in receivables from customers	-146	-233
Change in trading position	131	-593
Change in other assets from operating activities	-132	-183
Change in other liabilities from operating activities	-86	-84
Interest received	106	112
Interest paid	-4	-1
Received income tax	-15	0
<b>Cash flow from operating activities</b>	1,062	-1,792
Proceeds from disposal of financial assets	0	0
Investments in property, plant and equipment	-38	-194
Investment in financial assets	0	0
Change in cash flow from other investing activities	0	0
<b>Cash flow from investing activities</b>	-38	-194
Net-change in purchases and sales of own shares	-539	608
Dividends paid	0	0
<b>Cash flow from financing activities</b>	-539	608
<b>Change in cash and cash equivalents</b>	485	-1,378
<b>Cash and cash equivalents at beginning of the period</b>	10,361	13,340
<b>Cash flow from operating activities</b>	1,062	-1,792
<b>Cash flow from investing activities</b>	-38	-194
<b>Cash flow from financing activities</b>	-539	608
<b>Cash and cash equivalents at end of period</b>	10,846	11,962

# Segment Reporting

as of June 30, 2005

## Specialist Business, Securities Trading

	06/30/2005	06/30/2004
	TEUR	TEUR
Net interest income	148	132
Net commission income	1,099	720
Trading profit	2,503	2,155
Net income from financial assets	0	0
Personnel expenses	928	1,083
Scheduled depreciation of property, plant and equipment and intangible assets	84	89
Other administrative expenses	2,493	2,253
Balance of other operating income / expenses	86	23
Net income	417	-336
Assets	18,839	19,834

## Asset Management

	06/30/2005	06/30/2004
	TEUR	TEUR
Net interest income	9	34
Net commission income	207	219
Trading profit	0	0
Net income from financial assets	0	0
Personnel expenses	108	120
Scheduled depreciation of property, plant and equipment and intangible assets	7	8
Other administrative expenses	53	109
Balance of other operating income / expenses	2	12
Net income	36	12
Assets	1,070	1,006

## Consolidation

	06/30/2005	06/30/2004
	TEUR	TEUR
Net interest income		
Net commission income		
Trading profit	-4	
Net income from financial assets		
Personnel expenses		
Scheduled depreciation of property, plant and equipment and intangible assets		
Other administrative expenses	2	-22
Balance of other operating income / expenses		
Net income	-6	22
Assets	-851	-1,040

## Group

	06/30/2005	06/30/2004
	TEUR	TEUR
Net interest income	157	166
Net commission income	1,306	939
Trading profit	2,499	2,155
Net income from financial assets	0	0
Personnel expenses	1,036	1,203
Scheduled depreciation of property, plant and equipment and intangible assets	91	97
Other administrative expenses	2,548	2,340
Balance of other operating income / expenses	88	35
Net income	447	-302
Assets	19,058	19,800

## Märkte · Wertpapiere · Börsen

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WERTPAPIERHANDELSHAUS  
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