



Märkte · Wertpapiere · Börsen

Third Quarter Report 2005

2005

**MWB**  
WERTPAPIERHANDELSHAUS  
AKTIENGESELLSCHAFT

## At a glance

MWB Group	1 <sup>st</sup> – 3 <sup>rd</sup> Quarter 2005		1 <sup>st</sup> – 3 <sup>rd</sup> Quarter 2004		+/- in %
Commission result	TEUR	1,888	TEUR	1,223	+54 %
Trading result	TEUR	4,388	TEUR	2,580	+70 %
Personnel expenses	TEUR	1,666	TEUR	1,808	-8 %
Administrative expenses	TEUR	3,975	TEUR	3,585	+11 %
Profit from ordinary activities	TEUR	1,014	TEUR	-1,297	+178 %
Net profit	TEUR	908	TEUR	-1,359	+167 %
Balance sheet total	TEUR	19,867	TEUR	18,402	+8 %
Equity	TEUR	16,504	TEUR	16,142	+2 %
Earnings per share	€	0.18	€	-0.28	+164 %
Number of employees		28		30	-7 %

## Financial Calendar

Date	Topic	Place
25/10/2005	Publication of third quarter figures 2005	
15/11/2005	Analysts conference Participation at Smart Equities Conference of DVFA	Frankfurt a. M.

## The Company

### MWB Wertpapierhandelshaus AG

Rottenbucher Straße 28  
D-82166 Gräfelfing  
Postfach 16 44  
D-82158 Gräfelfing  
Phone: +49 89 85852-0  
Fax: +49 89 85852-505  
E-Mail: [info@mwb.de](mailto:info@mwb.de)  
Internet: [www.mwb.de](http://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](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 third quarter 2005

Turning up with positive surprises has become quite a rarity in financial circles. Which makes us all the more pleased that we can take this opportunity to inform you of our highly successful third quarter, with almost all of the results surpassing our forecasts.

This makes the last three months a further milestone on our course towards positive annual results. Neither the outcome of the Bundestag elections on September 18, which brought perplexity rather than the much hoped for confidence, nor the record prices for crude oil, which reached more than 70 dollars per barrel in August, were able to slow the capital markets. This shows that the stock markets are increasingly detaching themselves from day-to-day political and social events – as was also the case with the terrorist attacks in London this year. The DAX proved that it is independent of the mediocre underlying conditions by climbing to its highest level in the last 40 months – punctually at the end of the quarter on September 30, 2005. The 5,061 points finally also ignited private investors' imaginations. Whereas the growth in trading volume in the first and second quarters of 2005 was still mostly due to institutional investors, there were clear signs in the third quarter that private investors were returning to the stock markets. Interesting new issues, and the prospects of respectable profits from subscriptions, awakened a sense of courage among this clientele – which used to be quite a reserved group.

All in all, a climate has developed in this regard which could hardly be any better for a securities trading company. Growing turnover brought about significant improvements in MWB AG's commission income, and bolstered its specialist business. Of course this growth was also reflected in the share price, which lifted by 15% during the

quarter from € 2.59 to € 2.99. A figure which we last recorded in the summer of 2004 and which was surpassed yet again at the start of the fourth quarter of 2005.

## Foreign Stocks

Whereas experts were still talking about stabilization at a low level during the first half of the year, turnover in foreign stocks increased massively during the third quarter of 2005. The total figure of € 72.2 billion outdid the H1 volume significantly. The difference of € 28.8 billion compared to the same period of the previous year means growth of 66%. Many private investors have contributed to this turnover, which can be seen from the fact that a large number of smaller orders were recorded in specialist business. Investors seem particularly interested in commodity equities, especially gold stocks such as Harmony Gold for example. Once again we can see that gold is the traditional secure investment in times of uncertainty.

The importance of our Specialist Business division had been falling constantly compared to our Order Execution and Designated Sponsoring divisions, however Q3 2005 brought a turnaround. The increased turnover in foreign stocks led to a regular boom in our core division: Specialist business contributed a remarkable 63% to total earnings at the end of the third quarter of 2005. The contribution to trading profits was even higher, lifting to 77%. These successes are clear evidence that the strategy we set in 2004 allows us to occupy a lucrative niche, no matter what the state of the market.

## Institutional Clients

The Institutional Clients division generated growth in the third quarter with the acquisition of two designated

sponsoring mandates. Our new clients are the Swiss company Openlimit Holding AG, a software company focusing on electronic encryption systems, and the UK-based KP Renewables, which is active in the field of regenerative energies. KP Renewables is already our third client from this sector, which is increasingly developing to become a strategically valuable key market for us. In view of commodities' issues, investors are increasingly putting their money into companies dealing with alternative energy sources. At present, we are preparing the listing of a German company in this sector, which is scheduled for December.

Together with our Sales and Order Execution activities, this division has exhibited stable growth on the whole, and recorded almost half of our total commission income in the first nine months of 2005. A re-placement of shares of Theolia S.A. also contributed to this growth. This transaction had a total volume of € 6.2 million.

## Private Clients

Private investors are once again prepared to make larger investments – as is shown by MWB Baden GmbH's excellent results. In the quarter from July to September 2005, our 60% subsidiary recorded the best quarterly results since its formation. During Q3 2005, MWB Baden recorded commission income totalling € 204,000 and assets managed increased year-on-year by € 9.7 million to € 28 million. The number of accounts managed increased by 141 and now totals 383. During the first nine months of 2005, this division contributed 21% to total commission income, which is roughly equivalent to the figure from the same period of the previous year.





*"MWB has now finally succeeded in the turnaround so cautiously started in 2004."*

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

## **Results**

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### **Notes to the consolidated quarterly financial statements**

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The MWB Group has prepared its consolidated financial statements for the first nine months 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 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 € 0.18 (previous year: € -0.28).

### **Accounting and valuation policies**

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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, 2005 include MWB Wertpapierhandelshaus AG as the parent company, the wholly-owned subsidiary MWB Wertpapierhandelsbank GmbH, and 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**

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Commission income and trading profits increased significantly compared to the first nine months of 2004. In Q3 2004 commission income totalled € 1,223 thousand, lifting to € 1,888 thousand in 2005 to date. This corresponds to growth of 54%, which is primarily due to business with private clients and specialist business. The increased volume of trading in foreign stocks – with regard to both specialist business as well as proprietary trading – can be seen in the strong increase in trading profits, which lifted from € 2,580 thousand to € 4,388 thousand. If we consider MWB's divisions individually, Foreign Stocks made a 77% contribution, Institutional Clients contributed 19%, and Treasury contributed 4% to trading profits. In terms of commission income, these shares were 32% (Foreign Stocks), 47% (Institutional Clients), and 21% (Private Clients).

### **General administrative expenses**

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General administrative expenses totalled € 5,640 thousand in the third quarter of 2005, and were thus up slightly on the previous year. This is due to higher settlement costs as a result of the increased trading volume. This can be seen, in particular, in the fact that the increase in costs stems purely from the account for other administrative expenses, whereas personnel expenses were slightly lower. Other administrative expenses increased from € 3,585 thousand to € 3,975 thousand; at the same time, personnel expenses fell by 8% to € 1,666 thousand.

We have thus proven the highest level of efficiency in Q3 and improved

results despite lower personnel expenses – particularly in view of the fact that personnel expenses already include provisions for bonus payments and premiums. This highly efficient cost structure is due to such factors as the introduction of our success-oriented remuneration system. In strong quarters, such as Q3, our securities traders benefit from above average earning opportunities, and in weaker quarters they each make a contribution to stabilizing our company – thus creating an atmosphere of solidarity which is very important in companies of our size.

### **Profits from ordinary activities and net income for the period**

The trend seen in the first two quarters of 2005 has been confirmed: We were also able to conclude the first nine months with satisfactory results, far exceeding results from the same period of the previous year. Earnings from ordinary activities were up 178% to € 1,014 thousand, whereas these were still negative in 2004 at € -1,297 thousand. The stable climate on the stock markets also provided for a positive net income: this improved between September 30, 2004 and September 30, 2005 from € -1,359 thousand to € 908 thousand. Even a weaker fourth quarter will not be able to obliterate this leap ahead.

### **Equity and liquidity**

By its very nature, improved earnings in 2005 have also impacted equity. On September 30, 2005 equity totalled € 16,504 thousand, around € 1,044 thousand higher than at the end of 2004. This puts the equity ratio back up at 83%. There was also an increase in cash and cash equivalents, which improved from € 10,362 thousand on December 31, 2004 to € 11,644 thousand – a position which means we are excellently equipped to deal with

further increases in trading volumes. The changes in equity and liquidity also impacted the two indicators "equity per share" and "liquidity per share": equity per share totalled € 3.31 on September 30, 2005 (December 31, 2005: € 3.10) and liquidity per share totalled € 2.34 (December 31, 2004: € 2.08).

### **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 between January and September 2005. The average acquisition price was € 2.31, the average selling price € 2.64.

This corresponds to a nominal value of € 44,442 and a 0.89% interest in the share capital.

### **Outlook**

The first three weeks of October gave us a taste of what the rest of the year would bring: it won't be as much of a surprise as the third quarter, nor will there be a year-end rally. The DAX has rather returned to a sideward movement with a slight downwards trend, bolstered by precarious developments in US interest rates and the crippling formation of the new government in Germany. Commodities prices are also putting the brakes on the economy – and no "all-clear" is expected in this regard for quite some time. Investors are either pocketing their profits or at least securing their growth just in time for the Christmas season.

Despite these warning signs, our year to date has been positive. MWB has now finally succeeded in the turnaround so cautiously started in 2004. If no more serious events occur, we will close 2005 with results far beyond satisfactory. At the end of the year, we will certainly be discussing the issue of

dividends for 2005 – which is in our shareholders' interests.

Right now it is still hard to make a forecast for 2006. As things stand at present, we believe that growth will be moderate, yet stable. However one thing we can be certain of is the strategy we will be pursuing next year. We believe that there are opportunities for growth in almost every division. We will therefore continue to expand proprietary trading, expand our base of institutional clients, and reinforce our specialist business by listing small caps in OTC trading. In this connection, we welcome Frankfurt Stock Exchange's newly created "Entry Standard", which makes it simpler for SMEs to enter trading – and opens up new opportunities for us.



# Consolidated Balance Sheet according to International Financial Reporting Standards

as of September 30, 2005

## Assets

	30/09/2005 EUR	31/12/2004 EUR
Cash reserve	669.52	271.66
Receivables from banks	12,160,252.60	10,551,140.22
Assets held for dealing purposes	1,902,598.75	1,990,005.36
Financial assets	2,435,479.42	2,435,479.42
Intangible assets	225,047.30	253,584.54
Property, plant and equipment	340,408.35	382,414.66
Income tax assets	1,301,549.27	1,277,476.20
Other assets	1,501,405.70	1,228,931.87
<b>Total assets</b>	<b>19,867,410.91</b>	<b>18,119,303.93</b>

## Liabilities and Equity

	30/09/2005 EUR	31/12/2004 EUR
Liabilities to banks	516,720.93	189,700.21
Liabilities from dealing activities	73,879.60	11,594.82
Provisions	859,607.50	806,770.00
Income tax liabilities	265,028.73	207,092.34
Other liabilities	1,507,132.16	1,342,342.00
Minority interest	140,723.76	102,191.10
<b>Equity</b>	<b>16,504,318.23</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	8,702,379.99	8,884,846.46
Revaluation surplus	0.00	0.00
Depreciation of own shares	-2,177,836.33	-2,353,034.02
Unappropriated loss	-19,828,476.75	-20,880,450.30
<b>Total liabilities and equity</b>	<b>19,867,410.91</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 September 30, 2005

	01/01/–30/09/2005	01/01/–30/09/2004
	EUR	EUR
Interest income	241,772.13	245,451.91
Interest expenses	-5,418.66	-1,192.17
<b>Net interest income</b>	<b>236,353.47</b>	<b>244,259.74</b>
Commission income	2,922,169.58	1,725,793.84
Commission expenses	-1,034,417.06	-502,760.71
<b>Net commission income</b>	<b>1,887,752.52</b>	<b>1,223,033.13</b>
Trading income	8,906,991.59	5,301,105.49
Trading expenses	-4,519,385.02	-2,721,392.31
<b>Trading profit</b>	<b>4,387,606.57</b>	<b>2,579,713.18</b>
Net income from financial assets	0.00	0.00
Administrative expenses	-5,640,344.54	-5,393,133.93
Balance of other income / expenses	142,304.13	49,191.52
Profit from ordinary activities	1,013,672.15	-1,296,936.36
Income taxes on profit from ordinary activities	-105,632.41	-62,297.75
<b>Net profit</b>	<b>908,039.74</b>	<b>-1,359,234.11</b>
Minority interest of net profit	-38,532.66	-22,045.19
Net profit without minority interest	869,507.08	-1,381,279.30
Profit carried forward from previous year	-20,880,450.30	-18,673,387.76
Transfer to retained earnings	182,466.47	-17,655.75
Unappropriated profit / loss	<b>-19,828,476.75</b>	<b>-20,072,322.81</b>

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

Quarter-by-quarter comparison

	3rd Quarter 2005 EUR	3rd Quarter 2004 EUR
Interest income	80,846.80	78,421.17
Interest expenses	-1,264.27	-116.05
<b>Net interest income</b>	<b>79,582.53</b>	<b>78,305.12</b>
Commission income	783,021.03	418,717.51
Commission expenses	-200,769.34	-134,340.46
<b>Net commission income</b>	<b>582,251.69</b>	<b>284,377.05</b>
Trading income	3,586,564.65	1,552,021.25
Trading expenses	-1,698,032.05	-1,127,089.55
<b>Trading profit</b>	<b>1,888,532.60</b>	<b>424,931.70</b>
Net income from financial assets	0.00	0.00
Administrative expenses	-2,056,287.97	-1,850,595.97
Balance of other income / expenses	54,401.57	13,956.59
<b>Profit from ordinary activities</b>	<b>548,480.42</b>	<b>-1,049,025.51</b>
Income taxes on profit from ordinary activities	-87,705.98	-8,506.88
<b>Net profit</b>	<b>460,774.44</b>	<b>-1,057,532.39</b>
Minority interest of net profit	-25,829.01	-4,855.65
<b>Net profit without minority interest</b>	<b>434,945.43</b>	<b>-1,062,388.04</b>
Profit carried forward from previous year	0.00	0.00
Transfer to retained earnings	44,390.99	-33,553.76
<b>Unappropriated profit/loss</b>	<b>479,336.42</b>	<b>-1,095,941.80</b>

# Statement of Changes in Equity

for the Period from January 1 to September 30, 2005

	2005		2004
	TEUR		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 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	8,885		8,751
Change	-183		17
As of September 30	8,702		8,768
<b>Revaluation surplus</b>			
As of January 1	0		0
Change	0		0
As of September 30	0		0
<b>Own shares</b>			
As of January 1	-2,353		-2,365
Change	175		3
As of September 30	-2,178		-2,362
<b>Consolidated profit</b>			
As of January 1	-20,880		-18,673
Change in unappropriated profit	1,052		-1,399
As of September 30	-19,828		-20,072
<b>Equity as of September 30</b>	16,504		16,142

# Consolidated Cash Flow

for the Period from January 1 to September 30, 2005

	01/01/ – 30/09/2005 TEUR	01/01/ – 30/09/2004 TEUR
<b>Consolidated net profit</b>	870	-1,381
<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	143	168
Change in long-term provisions	52	44
Loss from disposal of financial assets	0	0
Change in minority interest	39	22
Other adjustments (balance)	580	-638
	1,684	-1,785
<b>Change in assets and liabilities from operating activities</b>		
Change in receivables from customers	-77	29
Change in trading position	150	-769
Change in other assets from operating activities	-219	-148
Change in other liabilities from operating activities	223	-156
Interest received	159	164
Interest paid	-5	-1
Received income tax	-23	-25
<b>Cash flow from operating activities</b>	1,892	-2,691
Proceeds from disposal of financial assets	0	0
Investments in property, plant and equipment	-70	-209
Investment in financial assets	0	0
Change in cash flow from other investing activities	0	0
<b>Cash flow from investing activities</b>	-70	-209
Net-change in purchases and sales of own shares	-539	469
Dividends paid	0	0
<b>Cash flow from financing activities</b>	-539	469
<b>Change in cash and cash equivalents</b>	1,283	-2,431
<b>Cash and cash equivalents at beginning of the period</b>	10,361	13,340
<b>Cash flow from operating activities</b>	1,892	-2,691
<b>Cash flow from investing activities</b>	-70	-209
<b>Cash flow from financing activities</b>	-539	469
<b>Cash and cash equivalents at end of period</b>	11,644	10,909

# Segment Reporting

as of September 30, 2005

	30/09/2005	30/09/2004
	TEUR	TEUR
Net interest income	223	206
Net commission income	1,486	913
Trading profit	4,388	2,580
Net income from financial assets	0	0
Personnel expenses	1,490	1,638
Scheduled depreciation of property, plant and equipment and intangible assets	89	139
Other administrative expenses	3,863	3,465
Balance of other operating income / expenses	141	36
Net income for the year	834	-1,400
Assets	19,515	18,262
<b>Asset Management</b>	<b>30/09/2005</b>	<b>30/09/2004</b>
Net interest income	13	38
Net commission income	402	310
Trading profit	0	0
Net income from financial assets	0	0
Personnel expenses	176	170
Scheduled depreciation of property, plant and equipment and intangible assets	10	11
Other administrative expenses	90	137
Balance of other operating income / expenses	1	13
Net income for the year	96	24
Assets	1,204	1,007
<b>Consolidation</b>	<b>30/09/2005</b>	<b>30/09/2004</b>
Net interest income		
Net commission income		
Trading profit		
Net income from financial assets		
Personnel expenses		
Scheduled depreciation of property, plant and equipment and intangible assets		
Other administrative expenses	22	-17
Balance of other operating income / expenses		
Net income for the year	-22	17
Assets	-852	-867
<b>Group</b>	<b>30/09/2005</b>	<b>30/09/2004</b>
Net interest income	236	244
Net commission income	1,888	1,223
Trading profit	4,388	2,580
Net income from financial assets	0	0
Personnel expenses	1,666	1,808
Scheduled depreciation of property, plant and equipment and intangible assets	99	150
Other administrative expenses	3,975	3,585
Balance of other operating income / expenses	142	49
Net income for the year	908	-1,359
Assets	19,867	18,402

## Märkte · Wertpapiere · Börsen

MWB Wertpapierhandelshaus AG  
Rottenbucher Straße 28 · 82166 Gräfelfing  
Postfach 16 44 · 82158 Gräfelfing  
Phone +49 89 85852-0  
Fax +49 89 85852-505  
[www.mwb.de](http://www.mwb.de)

  
WERTPAPIERHANDELSHAUS  
AKTIENGESELLSCHAFT