



Märkte · Wertpapiere · Börsen

First Quarter Report 2006

2006

MWB
WERTPAPIERHANDELSHAUS
AKTIENGESELLSCHAFT

At a glance

MWB-Konzern	1 st Quarter 2006		1 st Quarter 2005		+/- in %
Comission result	TEUR	747	TEUR	718	+4 %
Trading result	TEUR	3,286	TEUR	1,683	+95 %
Personnel expenses	TEUR	953	TEUR	570	+67 %
Administrative expenses	TEUR	1,619	TEUR	1,337	+21 %
Profit from ordinary activities	TEUR	1,633	TEUR	613	+166 %
Net profit	TEUR	1,480	TEUR	559	+165 %
Balance sheet total	TEUR	23,906	TEUR	18,875	+27 %
Equity	TEUR	18,341	TEUR	16,084	+14 %
Earnings per share	€	0.30	€	0.12	+150 %
Number of employees		34		26	+30 %

Financial Calendar

Date	Topic	Place
12/07/06	Annual general meeting	Munich
24/07/06	Publication of balance sheet (Half-Year)	
23/10/06	Publication of third quarter figures	
4th Quarter	Analysts Conference	Frankfurt

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
- Hanseatic Stock Exchange
Hamburg
- Rhineland-Westphalia Stock
Exchange in Duesseldorf
- Baden-Wuerttemberg
Stock Exchange

Member of the Bundesverband der
Wertpapierfirmen an den deutschen
Börsen e.V.

Business in Q1 2006

Times are changing: Until now, people had always talked about a year-end rally, but we had to create a new term for 2006, the "start of year rally". One record has been following the next in the first three months of the year. Gross domestic product was up 2.9%, the Ifo business climate index was up for the fifth successive time reaching a 15-year high. The DAX was nudging 6000 points by the end of March, and climbed above this level just a little later. Not to mention MWB climbing to new heights. Our securities trading company earned more than two and a half times our quarterly results of 2005, thereby already exceeding our earnings for the whole of last year. In short: We can look back on one of the most successful quarters in our company's history.

As early as the fall of last year, many indicators already showed that 2006 would offer an excellent environment for the stock market. And yet the extent of the recovery was still surprising. This was due to such factors as the bullish markets for commodities and precious metals, with gold in particular enjoying stupendous performance. The yellow metal has always been a safe bet and has now established itself as a commodity equity, showing the speed at which historic stock market rules are currently changing. The laissez-faire way of dealing with the oil price also evidences this paradigm shift just two years ago a price of \$70 per barrel would have caused the markets to panic. Obviously the arguments on the "pro" side appear to have carried more weight: Excellent news from companies around the world, merger fantasies, and the massive return of private investors to the stock markets lifted the mood. Stability in Germany was also given a boost by the fact that the "grand coalition" is working

relatively efficiently. This gave foreign investors more confidence in Germany.

Almost all securities trading companies are benefiting from the situation, which is directly reflected in share prices. Over the course of just 12 weeks, MWB AG's share price increased from € 3.26 to € 5.30 as of March 31, 2006. However, even this improvement of more than 60% was surpassed just a little later when our share price reached a record € 8.70 at the start of May.

Foreign Stocks

Turnover in foreign stocks doubled over the course of a year, thus bringing enormous increases in MWB's core business. The trading volume of foreign stocks at German stock exchanges totaled € 58.3 billion in Q1 2005, soaring to around € 116 billion in Q1 2006. It is therefore highly likely that total volume in 2005 (€ 267 billion) will be surpassed as early as Q3 2006. These are ideal conditions for MWB's Specialist Business. This accounted in Q1 2006 for around 81% of consolidated trading profits and 53% of commission income, making it the division with the strongest sales and income.

Trading was led by commodity stocks such as Petrochina (oil), Moto Goldmines, Sally Malay (goldmines) or Coeur d'Alene (silver). The hype surrounding commodities is particularly important for MWB as they are among the specialist areas in which our traders have many years of experience. However securities from other sectors also brought high turnover. Harley Davidson in the end-consumer sector, Teva Pharmaceutical in the pharmaceuticals sector, and last but not least Unicredit, which bought Hypovereinsbank, in the financial services sector.

We were also able to enjoy above average growth in proprietary trading with foreign stocks, this now accounting for 14% of our total trading profits. We benefited greatly in this sector from our sound background knowledge of the commodities markets and our expertise with regards to US equities. We recorded excellent results in particular with Australian and North American commodity securities. We will be integrating our Proprietary Trading and Specialist Business divisions into our new "Securities Trading" division from May 2006 (for further details see the Outlook on page 6).

Institutional Clients

There was a major change in this division at the start of 2006. In addition to order execution, sales and designated sponsoring, we added a "Capital Markets/IPO" division in January. This was preceded by our application for an IPO license, which was issued by BaFin (German Financial Services Supervisory Authority) at the start of the year. MWB has thus acquired the status of an IPO bank, and is authorized to implement IPOs independently or together with other partner banks. Based on our excellent contacts in the small and mid caps market, we believe that we also have excellent opportunities for the future in this area as an increasing number of SMEs are once again deciding to raise capital on the stock markets. We are currently preparing our first IPO for a medium-sized company from the south of Germany. As part of the expansion of our range of services, we have increased our staff numbers and are planning additional new hires over the course of the year.

A replacement of shares for the Essen-based ENRO AG in Q1 2006





"Provided that there is no substantial deterioration to the current situation, we expect to be able to report improved earnings again for 2006."

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

helped this division to finish the quarter successfully. We replaced shares with a volume of € 4.3 million for this company, which operates in the future-oriented market for renewable energy, and are currently implementing a capital increase for around € 1 million. The fact that we were able to acquire the designated sponsoring mandate parallel to these activities emphasizes our recognized expertise in the energy sector. We are now the designate sponsor for four renewable energy companies. On the whole, our Institutional Clients division contributed around one fifth of our commission income and trading profits, thus proving to be very stable.

Fixed-Income Securities

The acquisition of C. J. Diederich Wertpapierhandels GmbH that was initiated at the end of 2005 was made retroactively effective as of January 1, 2006. This means that MWB AG has a whole new division with high growth potential. As the specialist for fixed-income securities, we supported around 1000 bonds at the Berlin-Bremen Stock Exchange in the first quarter of 2006; we plan to continuously expand this volume. Even in its very first months of business activity, this subsidiary contributed 9% to the total commission income. Full integration is planned for the second half of 2006, and we have already increased staff for this purpose.

This addition promises not only higher a commission volume, but also serves to minimize risks – if the attractiveness of equities once again starts to fall, bond trading generally goes up. Our Fixed-Income Securities division will be integrated into the new "Securities Trading" division from the second quarter of 2006 (for further details see the Outlook section on page 6).

Private Clients

The more attractive stock markets become, the more private investors tend to trust traditional asset management. This is clearly shown by growth at our subsidiary MWB Baden GmbH, which exclusively offers asset management and consulting. After the substantial increase last year, Q1 2006 also enjoyed an impressive increase in the number of customers and assets managed. As of March 31, 2006, assets totaled € 34.2 million, up € 3 million or 9.6% compared to December 31, 2005. The number of accounts managed increased over the same period from 402 to 435. This means that MWB Baden recorded 17% of MWB AG's total commission income – slightly lower than in 2005, which can be explained by the significant percentage increase in earnings from specialist business.

Earnings

Notes to the consolidated quarterly financial statements

The MWB Group has prepared its consolidated financial statements for the first quarter of 2006 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 equivalent to the diluted earnings per share and total € 0.30 (previous year: € 0.12).

Acquisition of C.J. Diederich Wertpapierhandelsgesellschaft mbH

In the first quarter of 2006, MWB Wertpapierhandelshaus AG acquired a 100% interest in C.J. Diederich Wertpapierhandelsgesellschaft mbH retroactive to January 1, 2006 at a price of € 1.500 million plus incidental acquisition costs totaling EUR 6 thousand. This company is an specialist firm for fixed interest securities. It was also agreed that the seller would participate in 50% of the net profit or loss in existence as of June 30, 2006. Once C.J. Diederich Wertpapierhandelsgesellschaft mbH is successfully merged with MWB Wertpapierhandelshaus AG in the second half of 2006, the seller will receive 50% of the earnings from ordinary activities that are then generated in this sector up to December 31, 2008. The good-will resulting from the acquisition totaling EUR 30 thousand stems from the forecasted potential from around 1000 order books in bonds for which C. J. Diederich GmbH is responsible.

On the date of the acquisition, C. J. Diederich Wertpapierhandelsgesellschaft mbH comprised debt state securities totaling € 1.331 million, bank balances totaling EUR 152 thousand, and other items totaling € 18 thousand. Liabilities and provisions totaled € 25 thousand. The book values of these items under IFRS as determined directly prior to the merger correspond to the amounts carried on the date of the acquisition. With commission income and trading profits totaling EUR 68 thousand, C. J. Diederich Wertpapierhandelsgesellschaft's earnings from ordinary activities totaled EUR -6 thousand as of March 31, 2006

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, 2006 include MWB Wertpapierhandelshaus AG as the parent company, the wholly-owned subsidiary MWB Wertpapierhandelsbank GmbH, the wholly-owned subsidiary C. J. Diederich Wertpapierhandelsgesellschaft mbH, and MWB Baden GmbH in which a 60% interest is held. 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, 2005. 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 IAS 32.33 are deducted from equity.

Commission income and trading profits

Moderate growth in commission income was contrasted by exceptional trading profits in Q1 2006. This imbalance is due to the different treatment of placement commission and income. Whereas placement commission had the upper hand in Q1 2005, which is carried under commission income, placement income was greater in Q1 2006. However this is not carried under commission income, but rather under trading profits. This explains the moderate growth in commission income at € 34 thousand, trading profits by contrast growing by a massive 95%. In absolute figures, this is an increase of € 1.603 million to € 3.286 million in a quarter on quarter comparison. Earnings were driven by the Foreign Stocks division, and by Specialist

Business in particular. In view of this, it seems almost incredible that market players are constantly questioning the future of order-book management.

General administrative expenses

An increasing volume of business cannot take place without additional costs. After four years of economizing, MWB has now recorded double-digit cost increases. These are primarily due to the increase in personnel expenditures from EUR 570 thousand to EUR 953 thousand. However, this amount includes EUR 435 thousand as provisions for performance-related remuneration (bonuses).

This shows just how right it was to move over to a performance-related remuneration system – in the current situation it is very easy to form these provisions, whereas poorer business would automatically cause personnel costs to fall. Together with "other administrative expenses", which increased from € 1.337 million to € 1.619 million as a result of the higher volume of transactions, "general administrative expenses" totaled € 2.572 million. This is up 35% on Q1 2005, an acceptable figure given the improvement in earnings which was far higher in percentage terms.

Profits from ordinary activities and net income for the period

While in Q1 2005 there was talk of a positive trend, we can now definitely speak of a sustained turnaround. Profits from ordinary activities totaled € 1.633 million in Q1 2006, up € 1.020 million on Q1 2005 (166%). Our net income for the period also increased by the same amount – namely 165%. It rose from € 559 thousand in Q1 2005 to € 1.480





thousand. The significance of these figures speaks for itself – it proves that MWB is benefiting not only from the positive climate, but that strategic positioning is also ideal. A niche market player has grown to become a securities trading company that covers almost all segments of the market and is superbly positioned for the future.

Equity and liquidity

The high net income for the quarter also helped us into a comfortable equity situation. Our equity increased by € 1.486 million to € 18.341 million as of March 31, 2006, with an equity ratio of 77%. This means that we have almost completely compensated for the downturn recorded in 2003 and 2004. Our cash and cash equivalents were almost unchanged at the end of the quarter, totaling € 12.470 million, compared to € 12.852 million as of December 31, 2005.

Treasury shares

The company did not hold any treasury shares on the balance sheet date. A total of 9,830 shares were bought and 10,970 shares were sold between January and March 2006. The average acquisition price totaled € 3.95, the average selling price totaled € 4.12.

Outlook

Without making a move, no progress can be made. Our Fixed-Income Securities division and our license as an IPO bank will have a lasting effect on our future growth. While searching for lucrative areas of business, we also started order-book management for open-ended investment funds at the start of May.

Trading with open-ended investment funds on the stock market is in our opinion an important high-growth market, and we are already supporting 800 listed funds on the Munich Stock Exchange. As part of our expansion of specialist business, we will merge fund trading, the Foreign Stocks division, Proprietary Trading and the Fixed-Income Securities division to form our new "Securities Trading" division. But that's not enough positive changes: MWB AG is paying a dividend for the first time since the turn of the century. The Supervisory and Managing Boards have resolved to make a proposal to the annual general meeting on July 12, 2006 to pay a dividend of € 0.18 per share for fiscal year 2005.

As you can see: We are not only using the friendly climate on the stock market to position ourselves for the future, but are also allowing you, our shareholders, to participate in the results. And provided that there is no substantial deterioration to the current situation, we expect to be able to report improved earnings again for 2006.

Consolidated Balance Sheet according to International Financial Reporting Standards

as of March 31, 2006

Assets

	31/03/2006	31/12/2005
	EUR	EUR
Cash reserve	2.415,58	1.076,99
Receivables from banks	14.962.949,99	13.273.807,47
Assets held for dealing purposes	1.232.190,99	774.982,53
Financial assets	3.665.057,78	2.435.479,42
Intangible assets	227.337,86	215.393,54
Property, plant and equipment	337.114,45	327.027,16
Income tax assets	1.297.048,80	1.280.128,54
Other assets	2.181.903,61	1.436.850,58
Total assets	23.906.019,06	19.744.746,23

Liabilities and Equity

	31/03/2006	31/12/2005
	EUR	EUR
Liabilities to banks	2.495.595,34	422.680,00
Liabilities from dealing activities	62.326,76	18.548,58
Provisions	853.550,00	844.194,00
Income tax liabilities	209.943,81	132.318,94
Other liabilities	1.943.562,62	1.471.669,54
Equity	18.341.040,53	16.855.335,17
Subscribed capital	4.982.700,00	4.982.700,00
Capital reserves	3.945.101,02	3.945.101,02
Retained earnings	8.598.888,30	8.506.299,01
Revaluation surplus	0,00	0,00
Depreciation of own shares	-2.036.699,39	-2.042.030,21
Unappropriated profit	2.698.191,53	1.319.628,43
Minority interest	152.859,07	143.636,92
Total liabilities and equity	23.906.019,06	19.744.746,23

The consolidated net loss for fiscal year 2004 totaling EUR 20.880 thousand was offset against the capital reserve retroactively at the start of 2006 to make it possible for the company to pay dividends for fiscal year 2005. The corresponding figures for the first quarter of 2005 have been adjusted.

Consolidated Profit and Loss Account according to International Financial Reporting Standards

for the Period from January 1 to March 31, 2006

	01/01/-31/03/2006	01/01/-31/03/2005
	EUR	EUR
Interest income	109.336,08	80.147,11
Interest expenses	-8.918,99	-645,39
Net interest income	100.417,09	79.501,72
Commission income	934.038,68	1.266.075,60
Commission expenses	-186.934,53	-548.315,03
Net commission income	747.104,15	717.760,57
Trading income	7.132.554,92	2.992.414,75
Trading expenses	-3.846.566,43	-1.309.436,74
Trading profit	3.285.988,49	1.682.978,01
Net income from financial assets	0,00	0,00
Administrative expenses	-2.571.697,45	-1.906.546,05
Balance of other income / expenses	71.264,56	39.757,99
Profit from ordinary activities	1.633.076,84	613.452,24
Income taxes on profit from ordinary activities	-152.702,30	-54.429,54
Net profit	1.480.374,54	559.022,70
Minority interest of net profit	-9.222,15	-5.736,67
Net profit without minority interest	1.471.152,39	553.286,03
Profit carried forward from previous year	1.319.628,43	0,00
Transfer to retained earnings	-92.589,29	-25.531,29
Unappropriated profit	2.698.191,53	527.754,74

Statement of Changes in Equity

for the Period from January 1 to March 31, 2006

	2006	2005
	TEUR	TEUR
Equity as of January 1	16.855	15.460
Subscribed capital		
As of January 1	4.983	4.983
As of March 31	4.983	4.983
Capital reserves		
As of January 1	3.945	3.945
As of March 31	3.945	3.945
Retained earnings		
As of January 1	8.506	8.885
Change	93	25
As of March 31	8.599	8.910
Revaluation surplus		
As of January 1	0	0
Change	0	0
As of March 31	0	0
Own shares		
As of January 1	-2.042	-2.353
Change	6	-37
As of March 31	-2.036	-2.390
Consolidated profit		
As of January 1	1.320	0
Change in unappropriated profit	1.378	528
As of March 31	2.698	528
Minority interest		
As of January 1	144	0
Change	9	108
As of March 31	153	108
Equity as of March 31	18.341	16.084

Consolidated Cash Flow

for the Period from January 1 to March 31, 2006

	01/01/-31/03/2006 TEUR	01/01/-31/03/2005 TEUR
Consolidated net profit	1.471	553
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	50	46
Change in long-term provisions	10	17
Loss from disposal of financial assets	0	0
Change in minority interest	9	6
Other adjustments (balance)	-41	-115
	1.499	507
Change in assets and liabilities from operating activities		
Change in receivables from customers	4	-31
Change in trading position	-413	484
Change in other assets from operating activities	-767	-78
Change in other liabilities from operating activities	549	178
Interest received	72	53
Interest paid	-9	-1
Received income tax	-24	-8
Cash flow from operating activities	911	1.104
Proceeds from disposal of financial assets	0	0
Investments in intangible assets	-31	0
Investments in property, plant and equipment	-39	-12
Investment in financial assets	-1.229	0
Change in cash flow from other investing activities	0	0
Cash flow from investing activities	-1.299	-12
Net-change in purchases and sales of own shares	6	34
Dividends paid	0	0
Cash flow from financing activities	6	34
Change in cash and cash equivalents	-382	1.126
Cash and cash equivalents at beginning of the period	9.101	6.611
Cash flow from operating activities	911	1.104
Cash flow from investing activities	-1.299	-12
Cash flow from financing activities	6	34
Cash and cash equivalents at end of period	8.719	7.737

Segment Reporting

as of March 31, 2006

	31/03/2006 TEUR	31/03/2005 TEUR
Specialist Business, Securities Trading		
Net interest income	95	75
Net commission income	555	628
Trading profit	3.286	1.683
Personnel expenses	857	525
Scheduled depreciation of property, plant and equipment and intangible assets	46	41
Other administrative expenses	1.547	1.311
Balance of other operating income / expenses	70	40
Net income for the year	1.465	544
Assets	23.564	18.672
Asset Management		
Net interest income	4	4
Net commission income	126	90
Trading profit	0	0
Personnel expenses	60	45
Scheduled depreciation of property, plant and equipment and intangible assets	2	4
Other administrative expenses	33	25
Balance of other operating income / expenses	1	0
Net income for the year	25	16
Assets	1.190	1.048
Trading in fixed income securities		
Net interest income	1	-
Net commission income	66	-
Trading profit	2	-
Personnel expenses	36	-
Scheduled depreciation of property, plant and equipment and intangible assets	1	-
Other administrative expenses	37	-
Balance of other operating income / expenses	0	-
Net income for the year	-6	-
Assets	1.490	-
Consolidation		
Net interest income		
Net commission income		
Trading profit	-2	
Personnel expenses		
Scheduled depreciation of property, plant and equipment and intangible assets		
Other administrative expenses	2	1
Balance of other operating income / expenses		
Net income for the year	-4	-1
Assets	-2.338	-845
Group		
Net interest income	100	79
Net commission income	747	718
Trading profit	3.286	1.683
Personnel expenses	953	570
Scheduled depreciation of property, plant and equipment and intangible assets	49	45
Other administrative expenses	1.619	1.337
Balance of other operating income / expenses	71	40
Net income for the year	1.480	559
Assets	23.906	18.875

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