



**Third Quarter  
Report 2008**

# At a Glance

mwb AG	1 <sup>st</sup> –3 <sup>rd</sup> Quarter 2008	1 <sup>st</sup> –3 <sup>rd</sup> Quarter 2007	+/- in %
<b>Comission result</b>	TEUR 4,621	TEUR 3,189	+45
<b>Trading result</b>	TEUR 6,418	TEUR 5,550	+16
<b>Personnel expenses</b>	TEUR 4,176	TEUR 2,309	+81
<b>Administrative expenses</b>	TEUR 8,260	TEUR 4,980	+66
<b>Profit from ordinary activities</b>	TEUR -401	TEUR 2,485	-116
<b>Net profit</b>	TEUR -299	TEUR 2,289	-113
<b>Balance sheet total</b>	TEUR 48,806	TEUR 28,782	+70
<b>Equity</b>	TEUR 28,727	TEUR 19,156	+50
<b>Earnings per share</b>	€ -0.04	€ 0.46	-109
<b>Number of employees</b>	65	35	+86

# Financial Calendar

Date	Topic	Place
<b>10/23/2008</b>	Publication of third quarter figures 2008	
<b>11/08/2008</b>	Stock Exchange Day	Munich
<b>11/10–12/2008</b>	Equity Forum	Frankfurt /a. M.

# The Company

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 Internet [www.mwbfairtrade.com](http://www.mwbfairtrade.com)  
 Registered with the local Court of Munich,  
 HRB 123 141, founded in 1993  
 mwb stock code: 665610

**Admitted for trading on the following exchanges**

- Munich Stock Exchange
- Berlin Stock Exchange
- Frankfurt Stock Exchange
- Hamburg Stock Exchange
- Hannover Stock Exchange
- Duesseldorf Stock Exchange
- Stuttgart Stock Exchange

Member of the Bundesverband der Wertpapierfirmen an den deutschen Börsen e.V. (Federal Association of Securities Firms at German Stock Exchanges)



# Contents

Contents	Page	Contents Financial Section	Page
<b>Interim Consolidated Management Report</b>			
1. The Economic and Stock Market Environment . . . . .	4	<b>Consolidated Balance Sheet</b> . . . . .	9
2. Merger with FAIRTRADE FINANCE AG . . . . .	4	<b>Consolidated Profit and Loss Account</b>	
3. The Business Situation . . . . .	4	Accumulated . . . . .	10
4. Earnings . . . . .	5	Quarter-by-quarter comparison . . . . .	11
5. Financial Position . . . . .	6		
6. Other Information . . . . .	6	<b>Statement of Changes in Equity</b> . . . . .	12
7. Outlook . . . . .	6		
8. Risk Report . . . . .	7	<b>Consolidated Cash Flow</b> . . . . .	13
		<b>Notes</b>	
		Notes to the consolidated quarterly financial statements . . . . .	14
		Merger with FAIRTRADE FINANCE AG, Hamburg . . . . .	14
		Accounting and Valuation Policies . . . . .	15
		Own Shares . . . . .	15
		Earnings per share . . . . .	15
		Segment Reporting . . . . .	16
		Contingent and Other Liabilities . . . . .	17
		Statement by the Legal Representatives . . . . .	17



# Interim Consolidated Management Report

## 1. The Economic and Stock Market Environment

Not since 1929 has the global banking environment undergone such radical changes as it has in the past months. The large US investment banks are a thing of the past, and nearly every national economy is shoring up its financial sector with government bailout programs – which would have been unthinkable six months ago. What was thought to be a controllable crisis on the financial markets has now taken on historical dimensions, the impact of which is slowly spreading to the real economy. This has hit Germany, with its strong automobile and export sectors, especially hard. A fear of a recession is now being added to the investors' loss of confidence, so that an end of the downwards spiral is not in view. It is still unclear just how high the write-offs are in the balance sheets of the large financial institutions and insurance companies. And it still remains uncertain whether the financial-political measures will suffice. Only one thing is certain: private and institutional investors are either withdrawing completely from the stock markets or are making monumental shifts of their investments.

### Substantial weakening of the stock markets

The world's key stock markets had to contend with harsh losses in the 3<sup>rd</sup> quarter of 2008. The DAX has fallen 40% since the beginning of the year and for a short period in October had reached its lowest point in three years. The months of July to September were characterized by ever increasing price fluctuations, sometimes in the two-digit percentage range. But this high volatility was of little use to securities traders such as mwb fairtrade AG, since trading volumes declined at the same time. Compared to the same period in 2007, turnover in foreign stocks was reduced by half in the first nine months of 2008. In the face of such conditions, even the listed securities trading banks were forced to cope with severe price declines.

### mwb's share price performance

mwb fairtrade AG was unable to escape these negative developments on the market. Although stockbrokers only function as intermediaries to whom no fault can be attributed for the financial crisis, they are nevertheless being held partly responsible for the current misery. This attitude caused the

mwb share to drop in the 3<sup>rd</sup> quarter to its lowest level since 2002, although it had remained stable in the first half of 2008. As of September 30, 2008, it was valued at € 2.51 and was therefore listed even below the company's equity. Not even the merger with FAIRTRADE FINANCE AG was able to dissipate the scepticism being felt by the investors.

## 2. Merger with FAIRTRADE FINANCE AG

In the 3<sup>rd</sup> quarter of 2008, the merger of mwb AG and FAIRTRADE FINANCE AG was wrapped up both legally and organizationally. The merger agreement was notarized on July 18, 2007, and the new company was registered in the Commercial Register in Munich on August 19, 2008. Shortly before, on August 6, 2008, the change of name to "mwb fairtrade Wertpapierhandelsbank AG" became official through its registration in the Commercial Register. The change of name was carried out pursuant to a resolution of the general shareholders' meeting on July 28, 2007, as was the augmentation of the Supervisory Board. The former members of the Supervisory Board, Dr. Ottheinz Jung-Senssfelder, Thomas Mayrhofer, and Michael Wilhelm, were joined by three new members, Uwe Didwischus, Hagen-Christian Kümmel, and Dr. Thomas Ledermann as the Deputy Chairman.

### Augmented Managing Board

In its first official meeting on July 28, 2008, the Supervisory Board appointed two new Managing Board members to mwb fairtrade AG. Christian Kalischer and Detlef Lübbe, who had served as members of the management board of FAIRTRADE FINANCE AG, now augment the mwb Managing Board, which up to this time had been comprised of Thomas Posovatz and Herbert Schuster. The enlargement of the Managing Board is a logical consequence of the near doubling of the company's size, and has already proved its worth in the first few weeks. The most important task of this "management quartet" will be to consolidate the two organizations in the coming months both in an operative and corporate-cultural sense.

## 3. The Business Situation

### Securities Trading

The global financial crisis had an immediate impact on stock exchange turnover, which suffered a downright collapse in

# Interim Consolidated Management Report

the 3<sup>rd</sup> quarter of 2008. This was precipitated by extremely insecure investors, who hardly issued any orders. The trading possibilities for mwb fairtrade AG thereby remained severely limited. Although commission income and trading profits rose slightly, this is merely a consequence of the enlargement of the company and the larger number of order books. As of September 30, 2008, we managed 4,942 equities, 2,240 investment funds and ETFs (exchange-traded funds), and 4,508 fixed-income securities. In a recovered market, this portfolio provides an excellent starting point for our core business. On the whole, the Securities Trading division remained mwb fairtrade's most vital pillar in the 3<sup>rd</sup> quarter as well. 71% of commission income and 87% of trading profits were generated with order-book management.

## Institutional Clients

The contribution to earnings provided by the Institutional Clients division dropped slightly in comparison to the preceding year. As of September 30, 2008, this amounted to 12% as opposed to 15% on the same day in 2007. A recovery has become apparent, however, in the 3<sup>rd</sup> quarter 2008, which is primarily ascribable to growth in institutional sales. The concentration of our sales activities at the Hamburg location has, within the shortest period of time, proved successful. In the area of designated sponsoring, we still currently hold four mandates after the loss of LS telcom AG and OPENLIMIT Holding AG. We only expect an improvement in the order situation once small caps regain their interest in the capital market.

## Private Clients

Private asset managers are particularly suffering from the tough market conditions at the moment. New client business is stagnating, and assets under management are undergoing perceptible losses in value. Our subsidiary company, MWB Baden GmbH, is no exception here. Due to price losses within the managed safe custody accounts, assets under management dropped as of September 30, 2008 to € 30 million. In total, MWB Baden contributed 3% to the group's total earnings and 6% to commission income. The proportionately lower amount in comparison to last year is, however, primarily attributable to the merger with FAIRTRADE FINANCE AG. The merger resulted in an increase in the significance of and the volume generated by the other business divisions.

## 4. Earnings

Because FAIRTRADE FINANCE AG is being included in the consolidated financial statements as of the 3<sup>rd</sup> quarter 2008, the following information on earnings is only of limited value in its comparison with the same period last year. The merger of mwb and FAIRTRADE resulted on the one hand in an increase in commission income and trading profits, but on the other hand it led to higher expenses as well.

### Net commission income and trading profits

As compared to the same quarter last year, net commission income rose from EUR 3,189 thousand to EUR 4,621 thousand as of September 30, 2008. Trading profits also rose marginally, increasing as of the 3<sup>rd</sup> quarter 2008 by EUR 868 thousand to EUR 6,418 thousand. If we had not increased our provisions for risks at the end of the quarter, trading profits would have been better. The main point here, however, is that these figures in no way whatsoever accurately reflect what mwb fairtrade's actual potential is. They must rather be viewed in light of the current state of the stock markets.

### General administrative expenses

mwb fairtrade's new corporate size resulted in a marked increase in general administrative expenses. In the first nine months of 2008, these totalled EUR 12,436 thousand – an increase of 70% as compared to the same quarter in 2007. The increase is relative, however, considering that mwb AG and FAIRTRADE AG were approximately the same size prior to the merger. However, personnel expenses did not double but rose by 81% only as compared to the 3<sup>rd</sup> quarter 2007, increasing from EUR 2,309 thousand to EUR 4,176 thousand. With respect to other administrative expenses, the comparison looks even better: these totalled EUR 8,260 thousand as of September 30, 2008 as opposed to EUR 4,980 in the first three quarters of 2007. This figure includes the one-off charges related to the FAIRTRADE transaction in the amount of EUR 120 thousand. Also included is the amortization of the intangible assets of FAIRTRADE FINANCE AG yet to be included on the balance sheet, which was necessary in conjunction with the purchase price allocation pursuant to IFRS 3. This amortization totalled EUR 241 thousand.

# Interim Consolidated Management Report

## Earnings from ordinary activities

The marginal increase in commission income and trading profits was insufficient to cover the company's higher costs and amortization. As of the 3<sup>rd</sup> quarter 2008, earnings from ordinary activities were therefore negative at EUR -401 thousand. In the same period in the preceding year, earnings in the amount of EUR 2,485 thousand had been generated. The difference is attributable to the deteriorated market conditions, which has taken its toll on the earnings of all securities trading banks.

## Net loss

In line with the earnings from ordinary activities, mwb fairtrade recorded a net loss of EUR -299 thousand as of September 30, 2008. We were therefore unable to match the healthy balance-sheet figures of the 3<sup>rd</sup> quarter 2007, which recorded net income in the amount of EUR 2,289 thousand.

## 5. Financial Position

### Equity

The merger with FAIRTRADE caused the company's already excellent equity situation to become even better. As of September 30, 2008, equity reached € 28.7 million as opposed to € 17.5 million at the close of 2007. The equity ratio of 59% is well above the average of other comparable companies.

### Liquidity

As with equity, our liquidity situation is also a very comfortable one. We continue to define liquidity in strict terms as the balance of receivables from and liabilities to banks. This totalled € 11.1 million as of September 30, 2008, thus around € 4 million higher than the end of 2007.

### Total assets

Since December 31, 2007, total assets of mwb fairtrade AG have risen from € 22.5 million to € 48.8 million. This is a direct consequence of the merger with FAIRTRADE FINANCE AG and the resulting new size of the company.

## 6. Other Information

With respect to the legal and organizational structure of mwb fairtrade Wertpapierhandelsbank AG, the essential features of the remuneration system for the Managing and Supervisory Boards, and the statements made pursuant to Section 315 (4) of the [German] Commercial Code (HGB), we refer to the consolidated financial statements for 2007.

## 7. Outlook

The assessments made in the following are all based on the information available to us at the current time. This also applies to the risks portrayed in the risk management report.

In light of the rapid changes taking place in the financial sector, any kind of serious prognosis hardly seems possible. Only one thing can be said with any degree of certainty: unconditional openness is an absolute necessity for the recovery of the stock markets. Only when the full extent of the necessary write-offs has been identified and all value adjustments have been made on the balance sheets is a new – and trustworthy – beginning possible. The fact that a new beginning will come, is certain. But that it will come quickly is not to be expected. The first half of 2009 will remain completely overshadowed by the financial crisis, even if sinking commodities prices are at least curtailing fears of inflation. What will cripple the stock markets for a longer period of time is rather the psychological factor. It could take years before private investors regain their faith in the stability of the financial system.

Securities trading banks are, in their functionality, the supporting pillars of this system. Well-established market participants such as mwb fairtrade AG will therefore emerge from the crisis in a more fortified form. In order to equip ourselves for the work required in reviving the stock markets, our most pressing task next to the merger of FAIRTRADE is to fuse mwb fairtrade into a robust entity and make optimal use of cost synergies. This is one of the main reasons for optimizing the entire IT structure for example, and for centralizing risk management and settlement (of security transactions) in Gräfelfing. Our business divisions will also be subjected to a close scrutiny, which may result in a restructuring of them. Once these integration steps have been completed, mwb fairtrade's full potential will be able to unfold.

# Interim Consolidated Management Report

## 8. Risk Management Report

### Corporate strategy

All of our company's resources and activities are geared to sustainably securing our success. Therefore all of the decisions concerning the business policies of mwb fairtrade Wertpapierhandelsbank AG are being taken under strict observance of the income to risk ratio.

At the heart of our risk management system lie the top-level corporate targets of securing the assets entrusted to us and increasing our enterprise value based on the conscious management of entrepreneurial risks. Our strong equity ratio, the integrated risk management system, a real proximity to the market, and our thorough knowledge of risk allows us to operate flexibly across our divisions and to deal innovatively with the challenges of the future. In the strategic management of our company, both financial as well as non-financial aspects – such as process efficiency, increasing transparency, providing our customers with the best possible support, employee satisfaction, and strengthening the position of securities companies – play important roles.

The group management of mwb fairtrade Wertpapierhandelsbank AG – which was augmented by the former members of the management board of FAIRTRADE FINANCE AG after the merger of FAIRTRADE FINANCE AG at the beginning of August – is engaged in a constructive, ongoing exchange with the managing directors of MWB Baden GmbH with regard to the company's economic progress. Strategic decisions in relation to preserving the company's continued existence are made jointly.

### Risk strategy

The aim of our risk strategy is to safeguard our corporate targets by taking suitable measures against disruptive events. As part of its value-oriented group management scheme, the company has established an end-to-end risk management system to identify risks and to optimize risk positions. The company's risk control is structured in such a way that allows particular attention to be paid to minimizing unavoidable risks. We therefore continually review whether

our risk policy provisions are sufficient to perceptibly reduce potential dangers. If necessary, further measures are taken immediately to reduce the risk.

In implementing the requirements resulting from the so-called MaRisk (Minimum Risk Management Requirements), mwb fairtrade Wertpapierhandelsbank AG has, as part of its business strategy, created an end-to-end concept for its ability to bear risks. This entails – next to defining the risk-coverage assets, the maximum loss threshold for the entire bank, and the determination of the risk potential – a comparison of the aggregate risk potential with the maximum loss threshold. As a result of the risks entered into in the divisions operated by the company, mwb fairtrade Wertpapierhandelsbank AG takes a conservative approach in structuring its ability to bear risks. The company has therefore stipulated that the maximum risk at the close of each business day must not exceed 20% of the available risk-coverage assets. The remainder is available as a risk buffer. In addition to market price risks from equities, fixed-income securities, and option transactions, the company has included operating risks as material risks for mwb fairtrade Wertpapierhandelsbank AG in its concept for its ability to bear risks. mwb fairtrade Wertpapierhandelsbank AG calculates the risk potential that exists for these risks on a daily basis, whereby the company uses the basic indicator approach pursuant to Sections 270 and 271 of the [German] Solvability Directive (SolvV) for calculating operating risk. In ascertaining whether it is able to bear risks, mwb fairtrade Wertpapierhandelsbank AG compares, on a daily basis, the aggregate risk potential to the maximum loss threshold set by the Managing Board. If this ratio is less than 100%, the ability to bear risks is ensured.

Risk management is managed centrally for all branches of mwb fairtrade Wertpapierhandelsbank AG from the company's headquarters in Gräfelfing. It is also subjected to an annual audit by our auditors to determine whether it complies with the requirements of the [German] Act on Control and Transparency in Business (KonTraG).

MWB Baden GmbH is included in this risk control, although risks arising directly from transactions with its clients are being monitored directly by MWB Baden GmbH.

# Interim Consolidated Management Report

## Internal auditing

In order to ensure an efficient internal auditing given the company's relatively small size, the Managing Board of mwb fairtrade Wertpapierhandelsbank AG has outsourced its internal auditing to a firm of auditors. The audits focus primarily on the areas of investment and transaction brokering, proprietary trading, liquidity control, accounting, data processing, human resources, required reporting, compliance, money laundering, minimum requirements for the operating of trading activities, risk management, and earnings control. Operating processes that are particularly risky are audited annually, other operating processes every three years.

Internal auditing at MWB Baden GmbH is conducted directly by the managing directors of MWB Baden GmbH in Offenburg.

## Risk control

Effective risk control necessitates an independent identification of the risks entered into, which must be reviewed separate from trading activities.

To this end, the company has appointed a risk manager who is not connected with trading activities, whose tasks include identifying, analyzing, and evaluating risks, and especially sensitizing employees to risk recognition and avoidance. The risk manager also monitors adherence to large loan limits and the company's internal guidelines for risk avoidance, thereby continually developing methods and systems to manage risk. The basis for dealing continually and systematically with risks is found in the guidelines and decisions on risk tolerance prepared by the Managing Board, which are derived from the risk strategy and risk policy and which are geared to the company's capitalization and liquidity.

Given the company's large number of transactions, efficient risk control is dependent on a highly developed computer system. For this reason, the company makes use of the innovative applications created by XCOM AG, a software company specializing in solutions for financial service providers and banks in which MWB holds a participating interest.

Via XCOM AG, the company calculates, on a daily basis, risk assets, net equities positions and counterparty default items, liable equity, and allocable equity. Any amounts in excess of the large loan limits are also monitored several times per day, as are the total and individual items from name-to-follow transactions (Aufgabegeschäfte) and the unrealized profits and losses associated with this. In addition, in-depth evaluations of market risk and foreign currency risk are prepared on a monthly basis. Finally, the liquidity status is ascertained daily by compiling the available funds and the monthly calculated liquidity ratio.

As part of its management-related monitoring, the Managing Board also reviews the income and expenses from the company's core business on a daily basis. After subjecting the monthly figures to a feasibility check, the CFO then issues a written, monthly opinion on growth in general, select P&L items, and the liquidity situation. The report is circulated amongst the members of the Managing Board and is presented to the members of the Supervisory Board for their perusal.

In the area of operational risks – which can arise from work processes, persons, technologies, or external events – existing risks are consistently being reduced through a multi-faceted, cause-related risk management system.

It is also extremely important to the company to keep abreast of any changes to the stock market environment, to investor behaviour, and to any statutory regulations, and to do so at the earliest possible opportunity. The company takes part in Germany's key investor trade fairs several times a year. This not only provides the company with the opportunity to generate important contacts, but it also enables it to acquire vital information on the mood of investors and to inform itself on any changes in investor behaviour.

With respect to the descriptions of the individual risks, we refer to the statements made in the Annual Report of December 31, 2007.

Gräfelfing, November 2008  
The Managing Board

# Consolidated Balance Sheet according to International Financial Reporting Standards

as of September 30, 2008

## Assets

	09/30/2008 EUR	12/31/2007 EUR
Cash reserve	3,911.86	2,345.58
Receivables from banks	25,447,132.35	9,619,020.55
Assets held for dealing purposes	5,599,093.96	4,769,111.77
Financial assets	2,761,951.60	4,217,970.20
Intangible assets	9,642,309.93	204,732.81
Property, plant and equipment	669,885.87	404,783.00
Income tax assets	2,692,895.28	2,422,905.50
Other assets	1,989,163.21	906,986.11
<b>Total assets</b>	<b>48,806,344.06</b>	<b>22,547,855.52</b>

## Liabilities

	09/30/2008 EUR	12/31/2007 EUR
Liabilities to banks	14,363,231.36	2,524,777.82
Liabilities from dealing activities	667,624.14	23,511.04
Provisions	0.00	0.00
Income tax liabilities	2,195,389.96	96,271.77
Other liabilities	2,853,049.70	2,361,583.17
<b>Equity</b>	<b>28,727,048.90</b>	<b>17,541,711.72</b>
Subscribed capital	7,473,700.00	4,982,700.00
Capital reserves	12,639,464.58	3,945,101.02
Retained earnings	8,485,097.67	10,588,843.39
Revaluation surplus	-62,399.67	-4,297.51
Depreciation of own shares	-2,065,677.00	-4,515,505.27
Unappropriated profit	2,023,277.64	2,328,192.78
Minority interest	233,585.68	216,677.31
<b>Total liabilities and equity</b>	<b>48,806,344.06</b>	<b>22,547,855.52</b>

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

for the Period from January 1 to September 30, 2008

	01/01-09/30/2008 EUR	01/01-09/30/2007 EUR
Interest income	431,240.30	499,550.87
Interest expenses	-13,117.21	-6,939.45
<b>Net interest income</b>	<b>418,123.09</b>	<b>492,611.42</b>
Commission income	5,651,767.50	4,749,101.73
Commission expenses	-1,030,320.94	-1,560,523.35
<b>Net commission income</b>	<b>4,621,446.56</b>	<b>3,188,578.38</b>
Trading income	32,716,562.79	12,519,383.63
Trading expenses	-26,298,427.02	-6,969,688.69
<b>Trading profit</b>	<b>6,418,135.77</b>	<b>5,549,694.94</b>
Net income from financial assets	533,058.70	478,602.00
Administrative expenses	-12,436,004.45	-7,288,677.60
Balance of other income / expenses	44,149.24	63,673.28
<b>Profit from ordinary activities</b>	<b>-401,091.09</b>	<b>2,484,482.42</b>
Income taxes on profit from ordinary activities	102,072.60	-195,276.82
<b>Net profit</b>	<b>-299,018.49</b>	<b>2,289,205.60</b>
Minority interest of net profit	-16,908.37	-25,466.76
<b>Net profit without minority interest</b>	<b>-315,926.86</b>	<b>2,263,738.84</b>
Profit carried forward from previous year	235,458.78	1,412,213.98
Withdrawal from capital reserves	0.00	0.00
Transfer to retained earnings	2,103,745.72	-148,416.02
<b>Unappropriated profit</b>	<b>2,023,277.64</b>	<b>3,527,536.80</b>
Earnings per share		
Diluted earnings per share	-0.04	0.46
Basic earnings per share	-0.04	0.46

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

Quarter-by-quarter comparison

	3 <sup>rd</sup> Quarter 2008 EUR	3 <sup>rd</sup> Quarter 2007 EUR
Interest income	94,880.50	186,100.40
Interest expenses	-5,014.25	-195.28
<b>Net interest income</b>	<b>89,866.25</b>	<b>185,905.12</b>
Commission income	1,755,385.46	1,256,692.22
Commission expenses	-323,531.86	-274,848.99
<b>Net commission income</b>	<b>1,431,853.60</b>	<b>981,843.23</b>
Trading income	9,054,511.04	4,477,510.90
Trading expenses	-8,039,050.93	-2,678,234.56
<b>Trading profit</b>	<b>1,015,460.11</b>	<b>1,799,276.34</b>
Net income from financial assets	0.00	0.00
Administrative expenses	-3,681,024.88	-2,595,717.96
Balance of other income / expenses	-36,309.48	7,499.36
<b>Profit from ordinary activities</b>	<b>-1,180,154.40</b>	<b>378,806.09</b>
Income taxes on profit from ordinary activities	487,558.08	-35,868.69
<b>Net profit</b>	<b>-692,596.32</b>	<b>342,937.40</b>
Minority interest of net profit	-2,744.05	-3,634.22
<b>Net profit without minority interest</b>	<b>-695,340.37</b>	<b>339,303.18</b>
Profit carried forward from previous year	-2,092,734.00	-1,789,452.00
Withdrawal from capital reserves	535,046.66	11,396.41
<b>Unappropriated profit</b>	<b>-2,253,027.71</b>	<b>-1,438,752.41</b>

# Statement of Changes in Equity

for the Period from January 1 to September 30, 2008

	2008 TEUR	2007 TEUR
<b>Equity as of January 1</b>	<b>17,542</b>	<b>18,753</b>
Subscribed capital		
As of January 1	4,983	4,983
Change	2,491	0
As of September 30	7,474	4,983
Capital reserves		
As of January 1	3,945	3,945
Change	8,694	0
As of September 30	12,639	3,945
Retained earnings		
As of January 1	10,589	8,587
Change	-2,104	148
As of September 30	8,485	8,735
Revaluation surplus		
As of January 1	-4	-10
Change	-58	4
As of September 30	-62	-6
Own shares		
As of January 1	-4,516	-2,128
Change	2,450	-100
As of September 30	-2,066	-2,228
Consolidated profit		
As of January 1	2,328	3,202
Change in unappropriated profit	-305	326
As of September 30	2,023	3,528
Minority interest		
As of January 1	217	175
Change	17	25
As of September 30	234	200
<b>Equity as of September 30</b>	<b>28,727</b>	<b>19,156</b>

# Consolidated Cash Flow

for the Period from January 1 to September 30, 2008

	01/01–09/30/2008 TEUR	01/01–09/30/2007 TEUR
<b>Consolidated net profit</b>	-316	2,264
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	628	179
Loss from disposal of financial assets	58	0
Loss from disposal of intangible assets	4	0
Change in minority interest	17	25
Other adjustments (balance)	2,762	-540
	3,153	1,928
<b>Change in assets and liabilities from operating activities</b>		
Change in receivables from customers	58	-168
Change in trading position	-185	-1,512
Change in other assets from operating activities	-1,410	-326
Change in other liabilities from operating activities	2,590	-163
Interest received	562	564
Interest paid	-35	-134
Received income tax	-1,229	-404
<b>Cash flow from operating activities</b>	3,504	-215
Proceeds from disposal of financial assets	1,545	0
Proceeds from disposal of property, plant and equipment	65	0
Proceeds from disposal of intangible assets	2	0
Investments in property, plant and equipment	-9,823	-16
Investments in tangible fixed assets	-546	-112
Investments in financial assets	-157	-107
Change in cash flow from other investing activities	533	479
<b>Cash flow from investing activities</b>	-8,381	244
Net-change in purchases and sales of own shares	-223	-95
Dividends paid	-2,093	-1,789
Earnings from capital increase	11,185	0
<b>Cash flow from financing activities</b>	8,869	1,884
<b>Change in cash and cash equivalents</b>	3,992	-1,855
<b>Cash and cash equivalents at beginning of the period</b>	3,096	8,056
<b>Cash flow from operating activities</b>	3,504	-215
<b>Cash flow from investing activities</b>	-8,381	244
<b>Cash flow from financing activities</b>	8,869	-1,884
<b>Cash and cash equivalents at end of period</b>	7,088	6,201

# Notes

## Notes to the consolidated quarterly financial statements

The mwb Group has prepared its consolidated financial statements as of September 30, 2008 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 the Deutsche Börse AG for the Prime Standard market segment. The interim report satisfies the requirements of IAS 34.8 and IAS 34.11 for quarterly financial statements.

## Explanatory notes on the merger with FAIRTRADE FINANCE AG, Hamburg

The company, whose name was changed from "mwb Wertpapierhandelsbank AG" to "mwb fairtrade Wertpapierhandelsbank AG" by way of a resolution of the general shareholders' meeting on July 28, 2007, and the Hamburg-based FAIRTRADE FINANCE AG agreed at the end of the past year to merge the two companies. In this connection, an agreement to contribute all of the shares of FAIRTRADE FINANCE AG to mwb fairtrade Wertpapierhandelsbank AG

was signed on March 31, 2008. Following the signing of the contribution agreement, the Managing and Supervisory Boards of mwb fairtrade Wertpapierhandelsbank AG resolved to increase the share capital of mwb fairtrade Wertpapierhandelsbank AG to € 7,473,700 through the issuance of 2,491,000 no-par value bearer shares with a stake in the share capital of € 1.00 allocable to each share. The shareholders of FAIRTRADE FINANCE AG exclusively were given subscription rights. The shareholders of FAIRTRADE FINANCE AG also received an additional 498,269 treasury shares of mwb fairtrade Wertpapierhandelsbank AG. The capital increase was registered on May 21, 2008. In August, FAIRTRADE FINANCE AG was merged retroactively to January 1, 2008 with mwb fairtrade Wertpapierhandelsbank AG.

The current income of the former FAIRTRADE FINANCE AG since January 1, 2008 amounts to € 5.12 million. The consolidated results as of September 30, 2008 include profits of the former FAIRTRADE FINANCE AG in the amount of € 0.63 million.

A breakdown of the fair values to be assigned as provisional values in accordance with IFRS 3.62 to the acquired assets and liabilities at the acquisition date and their carrying amounts immediately prior to the business combination is set out below:

	Carrying amounts Mio. EUR	Adjustment Mio. EUR	Fair values Mio. EUR
<b>Non-current assets</b>			
Order-book manager licenses	0.59	6.20	6.79
Software (Fondstool)	—	4.25	4.25
Property, plant and equipment and other intangible assets	0.13	1.95	2.08
	0.46	—	0.46
<b>Current assets</b>	<b>9.29</b>	<b>0.02</b>	<b>9.31</b>
Other assets	9.29	0.02	9.31
<b>Total acquired assets</b>	<b>9.88</b>	<b>6.22</b>	<b>16.10</b>
<b>Current liabilities</b>	<b>2.69</b>	<b>—</b>	<b>2.69</b>
Other liabilities	2.69	—	2.69
<b>Total net assets</b>	<b>7.19</b>	<b>6.22</b>	<b>13.41</b>

The acquisition costs of the acquired company total € 14.65 million, which include incidental acquisition costs in the amount of € 0.06 million. The purchase price is attained by multiplying the number of shares of mwb fairtrade Wertpapierhandelsbank AG contributed

in conjunction with the business combination by the share price on the day the capital increase was registered. From the acquisition there is a resulting goodwill after deferred taxes in the amount of € 3.25 million.

# Notes

	in Mio. EUR
Contributed shares of mwb Wertpapierhandelsbank AG	2,989,269
Listed price of the shares of mwb Wertpapierhandelsbank AG on May 21, 2008 (in €)	4.88
Purchase price	14.59
Incidental acquisition costs	0.06
Total acquisition costs	14.65
Fair value of the acquired assets	13.41
Deferred taxes	2.01
Goodwill	3.25

The goodwill remaining after the purchase price allocation is determined by a variety of factors. These include synergies in particular, but also the value attributed to the employees of the acquired business sector. Through the transaction, mwb fairtrade Wertpapierhandelsbank AG has gained access to the German stock exchanges in Hamburg and Hanover and is thus admitted to all of the German stock exchanges, and operates on five of the seven securities exchanges as an order-book manager. What has been created is a highly profitable securities trading bank of an economically optimal size. The merger has provided mwb fairtrade Wertpapierhandelsbank AG with an advantageous base from which it can exploit the (anticipated) high growth potential in stock exchange trading in open-end investment funds.

## Accounting Policies

The single-entity financial statements of the companies included in consolidation are included using uniform accounting principles – in the consolidated financial statements of mwb fairtrade Wertpapierhandelsbank AG. The consolidated financial statements as of September 30, 2008 include, in addition to mwb fairtrade Wertpapierhandelsbank AG as the parent company, the wholly-owned subsidiary mwb Wertpapierhandelsbank GmbH and the 60% interest in MWB Baden GmbH. The accounting, valuation, and disclosure methods have been consistently applied by us in line with the IFRS framework concept. The same accounting policies used in our IFRS financial statements of December 31, 2007 were applied to these quarterly financial statements. In particular, all of our trading assets are carried at their fair value on the balance sheet, and treasury shares as per IAS 32.33 are deducted from equity.

## Treasury Shares

On the balance sheet date, the company held a stock of 15,289 treasury shares. A total of 55,842 shares were purchased and 2,000 shares were sold between January and September 2008. The average acquisition price was € 4.16, the average selling price was € 4.71.

The existing stock of treasury shares has a nominal value of € 15,289 and represents 0.20% of the share capital.

## Dividend Disbursement

Pursuant to a resolution passed by the general shareholders' meeting on July 28, 2008, mwb fairtrade Wertpapierhandelsbank AG used - out of net retained profits for fiscal year 2007 totalling EUR 2,328 thousand – a partial amount of EUR 2,092 thousand for the disbursement of a dividend of EUR 0.42 per no-par value share with a dividend entitlement. The remaining amount of EUR 236 thousand was carried forward.

## Earnings per Share

The undiluted earnings per share, which are the same as the diluted earnings per share, total as of September 30, 2008 € -0.04 (previous year € 0.46).

# Segment Reporting

as of September 30, 2008

	09/30/2008 TEUR	09/30/2007 TEUR
<b>Securities Trading</b>		
Net interest income		
Net commission income	3,895	1,622
Trading profit	6,421	5,089
Net income from financial assets	0	0
Personnel expenses	3,419	1,720
Other administrative expenses	7,251	4,011
scheduled depreciation of property, plant and equipment and intangible assets	291	117
Balance of other operating income / expenses	0	0
Profit from ordinary activities	-354	980
Assets	32,087	23,120
<b>Institutional Clients</b>		
Net interest income		
Net commission income	385	1,189
Trading profit	-31	108
Net income from financial assets	0	0
Personnel expenses	470	366
Other administrative expenses	707	706
scheduled depreciation of property, plant and equipment and intangible assets	63	27
Balance of other operating income / expenses	0	0
Profit from ordinary activities	-823	225
Assets	6,976	5,204
<b>Private Clients</b>		
Net interest income	48	32
Net commission income	341	378
Trading profit	0	0
Net income from financial assets	0	0
Personnel expenses	206	178
Other administrative expenses	119	115
scheduled depreciation of property, plant and equipment and intangible assets	5	4
Balance of other operating income / expenses	13	1
Profit from ordinary activities	77	118
Assets	1,447	1,353
<b>Consolidation / Other</b>		
Net interest income	370	460
Net commission income	0	0
Trading profit	28	353
Net income from financial assets	533	479
Personnel expenses	81	45
Other administrative expenses	183	148
scheduled depreciation of property, plant and equipment and intangible assets	0	4
Balance of other operating income / expenses	32	63
Profit from ordinary activities	699	1,162
Assets	8,296	-895
<b>Group</b>		
Net interest income	418	492
Net commission income	4,621	3,189
Trading profit	6,418	5,550
Net income from financial assets	533	479
Personnel expenses	4,176	2,309
Other administrative expenses	8,260	4,980
scheduled depreciation of property, plant and equipment and intangible assets	359	152
Balance of other operating income / expenses	45	64
Profit from ordinary activities	-401	2,485
Assets	48,806	28,782

# Notes

## Contingent and Other Liabilities

mwb fairtrade Wertpapierhandelsbank AG has come to the conclusion that, with regard to a potential claim of the EdW (German compensation organization for securities companies) against mwb fairtrade Wertpapierhandelsbank AG in the Phoenix compensation case, the factors requiring the formation of a provision according to IAS 37.14 are not present. In this connection, we refer to the statements made on this in the consolidated financial statements of December 31, 2007.

No other financial obligations existed on the balance sheet date.

## Responsibility Statement

“To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the group, and the interim management report of the group includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group for the remaining months of the fiscal year.”

Gräfelfing, November 2008

The Managing Board



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