



STEUBING AG

## KURZBERICHT

zum 31. Dezember 2009

## ABRIDGED REPORT

as at 31 December 2009

Wolfgang Steubing AG Wertpapierdienstleister  
[www.steubing.com](http://www.steubing.com)

Leerseite

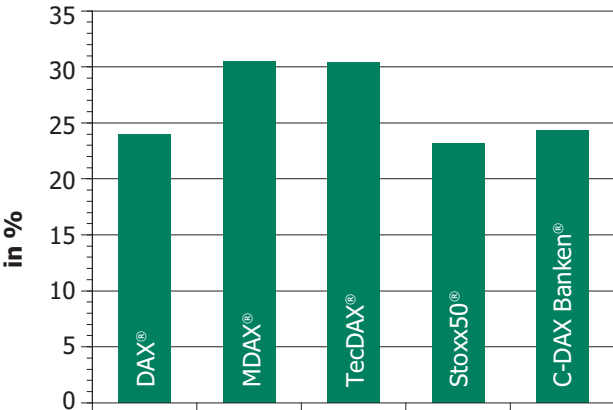
## The first half of financial year 2009/2010

In autumn 2008 the world was still **fearful of a meltdown in the financial system**. Today it would seem that thanks to the government rescue packages to save the banks and the economic programmes worldwide, we are over the worst. From a year low in March 2009 (3,666.41 points) the DAX® had managed to put on 62.5% by the year end, climbing up to 5,957.43. Other principle indices also recorded some substantial growth in the reporting period (MDAX® +30.47%, TecDAX® +30.42%, Stoxx50® +23.21%, C-DAX Banken® +24.33%). Unfortunately, however, the benign development on the stock markets is not all-encompassing. Many investors, especially institutional investors, are still markedly reticent. A look to the turnover on the exchange amply reflects this fact. In the first half of the 2009/2010 financial year turnover on all German stock exchanges declined dramatically, falling by around 40.9% to €1.68 trillion. Of this total, approx. € 1.1 trillion was accounted for by XETRA®, representing a decline of 46% relative to the year before and marking the lowest turnover since 2004. Another indication of the considerable **reticence displayed by investors** is provided by the VDAX®: This DAX® volatility index dropped by around 40% in the course of the year.

Since our performance correlates relatively strongly with the turnover on the stock markets, this dramatic decline unfortunately also impinges on the **half-year result achieved by Steubing AG**. Gross earnings at €k 10,667 were just under

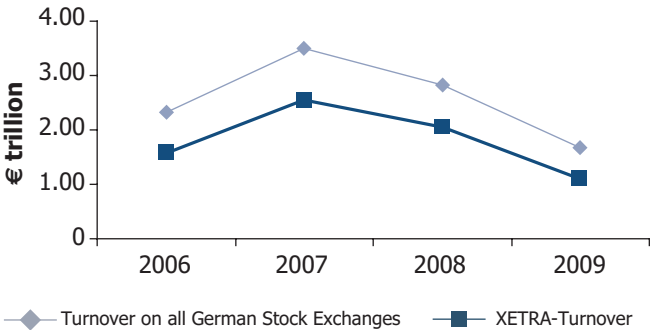
### Development in various indices

(in the period from 1 July to 30 December 2009)<sup>1</sup>



<sup>1</sup>Source: Deutsche Börse AG and Bloomberg

## Development of Stock Exchange Volume (July to December)<sup>1</sup>



36% lower than in the first half of fiscal year 2008/2009. Pre-tax earnings declined by a good 67% to €k 1,058 even despite the fact that we succeeded in reducing costs by 28% or more.

This extremely difficult environment with reduced turnover, a reduced willingness to invest and reduced volatility impacted on virtually every area of business in which our Company is engaged. Leaving aside the reduction in turnover, in its core business of Trading/Electronic Order Routing Steubing AG nevertheless preserved its customary high standards. This is reflected both in our **strong position in the broker rankings** compiled by Deutsche Börse and in the AA rating awarded to Steubing AG for its activities as **Designated Sponsor**. In this field we are currently acting for only one company, BB Biotech AG. We no longer act for BB Medtech AG, since the company has been converted into a fund.

In addition, Steubing AG has continued its strategy of developing other **complementary areas of business in securities trading**. For example, we have developed our bond trading business, and we have also finalised our links with the Eurex futures and options exchange and begun our activities in this field.

### Development in bond trading

As a first step in this segment we have taken up institutional bond trading in the OTC market, and after a short period of time we have achieved strong turnover in the mid three-

<sup>1</sup>Source: Deutsche Börse AG and Bloomberg

digit million range. The decision by Deutsche Börse AG to appoint Steubing AG as one of three **XETRA specialists in bond trading** represents something of a milestone. Initially on 1 December some 250 corporate bonds were allocated to Steubing AG under this new trading model. Other types of bonds (federal and regional government bonds etc.) are due to follow in stages. In Walter Ludwig Wertpapierhandels GmbH, we have succeeded in recruiting a partner who has amassed great expertise in the bond market over the past two decades, as well as establishing an international customer and correspondent broker base. Working together with Steubing AG, Walter Ludwig will provide tradable quotes for the securities assigned to us in our specialist capacity. Against the background of the financial as well as economic crisis, the bond market represents an attractive financing alternative. With interest rates generally low and banks reluctant to provide corporate financing, **activity in the corporate bond segment has increased** markedly. In our opinion this trend is set to increase still further in the current calendar year. Investors' growing interest in bonds is also reflected in the development in bond prices: The year-end closing prices for Bund Futures in 2008 (124.84) and 2009 (121.19) were substantially higher than in the preceding years (2007: 113.11 and 2006: 116.03). The iBoxx<sup>®</sup> indices also rose, with the iBoxx Overall Index putting on around 2.3% in 2009.

## **Development in Eurex services**

Steubing AG has succeeded in recruiting a small trading team with extensive market experience in order to offer **our institutional clients an attractive service** covering the broad range of Eurex products. Currently, our activities are directed towards execution services (executing transactions on the Eurex exchange in accordance with clients' instructions) and volatility brokerage services (broking larger options transactions). Development of an algorithmic arbitrage trading service is in the final phase of completion. All these areas of business exhibit a low risk profile. The **Eurex represents an attractive environment**, as demonstrated by the statistics for calendar year 2009. Following the 2.17 billion contracts traded on Eurex in the record year 2008, the trading volume in 2009 amounted to just 1.69 billion contracts. However the decline of around 20% was substantially more moderate than the falls in XETRA<sup>®</sup> trading and on the Frankfurt trading floor.

Our **Lead Broking** and **Scoach** business units located in the trading room at the Frankfurt stock exchange demonstrated their usual efficiency during the reporting period. Steubing's lead broking activities continue to comprise around 1,000

stocks. In the rankings published by Deutsche Börse AG effective 30 December 2009, Steubing AG was placed second out of a total of 19 lead brokers. In the Prime & General Standard segments the stocks we handled as lead broker were completely changed over in the course of regular redistribution. As a result, Steubing AG now manages the order books for stocks in the Biotechnology, Building Materials, Chemicals Commodity, Chemicals Speciality and GB & Northern Ireland sectors. In the **Soach** segment we have acquired another issuer and are now quoting around 40,000 products for five issuers. In the official statistics published each month, we consistently **scored outstandingly well**.

In pursuing our diversification strategy here at Steubing AG we have in recent months continued to strengthen and network our **Research, Sales and Equity Capital Markets/Corporate Advisory** business units. Our **sales force has been expanded** and we are meanwhile in regular contact with investors in Germany, Switzerland, Liechtenstein and the Benelux countries via our roadshows. With a comprehensive **study of the biogas industry**, our team of analysts have broadened their research coverage to include another segment in the field of Renewable Energy. Our analysts are now tracking some 20 companies in the steel, engineering, automobile and renewable energy sectors.

Our Equity Capital Markets business that is focused on small and medium-sized German companies continues to suffer from the **absence of new share offerings and flotations**. The number of stock market flotations worldwide in the second half of 2009 did show an increase relative to the first six months of the year. However, this trend was driven mainly by the developing countries which accounted for 66% of the total of 180 flotations (between January and November 2009<sup>1</sup>). On the Frankfurt stock exchange<sup>2</sup>, there was only one flotation in the Regulated Market (Vtion Wireless Technology AG on 1 October 2009). The offerings cancelled or aborted at the year-end by Hochtief Concessions, Scan Energy and Unity Media show just how difficult the environment is for new issues. On the other hand the IPO statistics since October 2009<sup>3</sup> with 61 companies going public in Europe – the highest quota for a year – give cause for hope that **new issue activities will pick up in 2010 also in Germany**.

<sup>1</sup> Source: Ernst & Young IPO Update

<sup>2</sup> Source: Deutsche Börse AG

<sup>3</sup> Source: Pricewaterhousecoopers IPO Watch Europe

The first positive effects of the **restructuring of Steubing Derivatives Brokerage GmbH**, a joint venture with IDC AG, are now becoming apparent. Since the company was restructured in June 2009, earnings have stabilised in positive territory. The company is also profiting to a certain extent from the recovery in the derivatives market. Between June and October 2009 the market volume increased by some 15% to around € 102 billion. We shall consistently pursue our strategy of improving the earnings situation in this segment.

## Macroeconomic outlook

**2010 will be a year of sunshine and shadow.** On the positive side, thanks to the massive support from central banks and governments the global financial as well as economic crisis has largely been overcome. The real estate market in the United States has stabilised, while development in US labour market data suggests that employment will pick up in the second quarter of the year. This in turn should revitalise consumer spending, leading to economic growth in the order of 3.0%.

China was most successful in mastering the crisis. The country deployed massive economic support programmes to sustainably stimulate domestic demand, as the vigorous development in production shows even despite falling exports. In the first eleven months of 2009, production increased by 10.3%. Output in November rose by 19.2% compared with the year before, even though exports in the same month actually fell by 1.2%. The majority of economic research institutes are forecasting economic growth of 9% for the current year. This will be driven in part by exports, but also to an increasing extent by investments and rapidly rising consumption. For this reason **China** will very probably overtake Japan **as the world's second-largest economy** this year. This in turn will help to revive world trade which suffered a collapse in the past year.

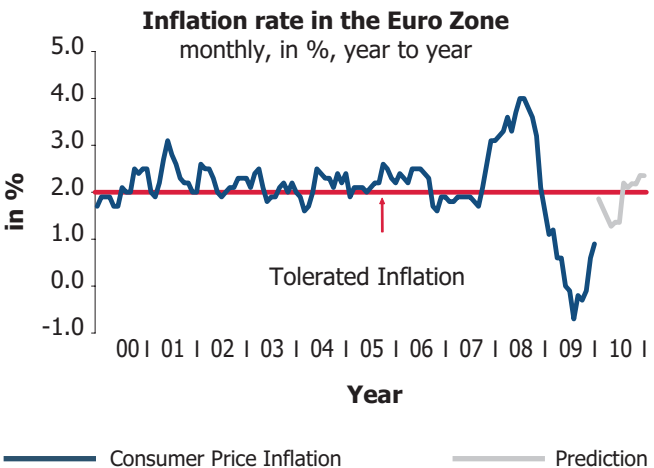
Germany will derive an increasing benefit from this development, not least because German firms are comparatively well networked in China. Supported by increased net exports and higher inventories, we expect Germany to record GDP growth of 2.2% in real terms. However as short-time working has become too expensive in various branches of industry, we initially expect to see a rise in unemployment. Development in the domestic economy is therefore likely to be no more than moderate. At the start of the year in particular, how-

ever, production should expand perceptibly with a positive impact on business performance. We therefore expect **by July/August** to see some **very strong quarterly results**, for which investors will duly show their appreciation.

Where the sun shines, the shadows are proportionately deeper. Thanks to the “super-strength” remedies applied by governments and central banks, the **financial and economic crisis** appears to have been overcome. These remedies, however, also have **side-effects**. The markets worldwide are awash with liquidity. Having borrowed to finance economic programmes on a massive scale while being deprived of income by the recession, many countries are hopelessly over-indebted. Both sides of the problem must be consistently addressed in order not to put price stability at risk.

While governments allow themselves more time to consolidate public sector budgets, the central banks are likely to react somewhat sooner. We therefore expect in the near future to see “quantitative easing” cautiously scaled down. In the USA such moves have already been announced.

Moreover we also anticipate that in order to rein in incipient inflation the central banks will increase base rates. According to our calculations the inflation rate in the Euro zone will exceed the 2% rate tolerated by the European Central Bank for the first time in July and will remain at a level above 2% until the end of this year. We base this estimate on a study of how the average growth rate in inflation has developed (month-to-month) in the past in the year following a recession. On this basis the inflation rate this year will be 1.9%, reaching 2.4% in December. Particularly in view of the sur-



plus liquidity, the European Central Bank cannot sit idly by in the face of such a development. We therefore anticipate that the **European Central Bank will raise the base rate** in two stages from its current level of 1% to 2% by the end of the year. We expect the first step to come after the summer break.

As interest rates rise, growth expectations for the coming year will fall, and with them the expectations for future company profits. We therefore anticipate a **strong performance on the stock markets in the first half of this year, followed by a correction in the second half.**

## The second half-year for Steubing AG

Based on the macroeconomic scenario outlined above, we anticipate that the second half of the 2009/2010 financial year will also be extremely challenging for Steubing AG. Indeed, we start the second half with **negative news for bond trading via XETRA®**. As a result of a temporary injunction obtained by two companies that were unsuccessful in being appointed as specialists, trading had to be suspended at the beginning of January. The outcome of this dispute is also likely to offer a significant indication of what form floor trading may take in future on the Frankfurt stock exchange.

As a result of the extremely positive response we have received over the past year, on 22 April 2010 our Company will be hosting the **2nd Steubing Investor Conference** in Frankfurt. In addition to the MDAX® companies Aurubis, BayWA, ElringKlinger and Fuchs Petrolub along with TecDAX® member Software AG, four other highly interesting companies have agreed to attend. On 23 April institutional investors will also have the chance to gain a deeper insight into the steel industry at the **Steubing Steel Round Table**. We have also recruited some highly prominent companies and speakers for this event, with ThyssenKrupp, Salzgitter, Klöckner & Co., Voestalpine, SKW Stahl and industry association Wirtschaftsvereinigung Stahl due to attend.

The long-running “saga” of **Phoenix v. EdW** (the securities trading companies compensation fund) will also still be with us in 2010. With legislators having increased annual contributions to the EdW as expected and with special surcharges in the offing, we have already lodged an objection against the annual levy for 2009.

Since 1 January Steubing AG has been a **regular member of the Frankfurt Main Finance initiative** whose objectives include strengthening Frankfurt as a financial centre. The initiative's web site at [www.frankfurt-main-finance.de](http://www.frankfurt-main-finance.de) is intended to become a central communications platform for the industry offering news and studies.

## The Company

Steubing AG is an independent securities trading bank headquartered in Frankfurt am Main, Germany. The company was first founded in 1987 as "Wolfgang Steubing GmbH Börsenmakler", a limited liability company, and became a public limited company in January 1999. The Company's business activities are founded upon trading and electronic order routing in listed shares, bonds, certificates and warrants. Other principal areas of activity include the Lead Broking, Structured Products, Derivatives, Designated Sponsoring, Sales, Research and Equity Capital Markets and Corporate Advisory business areas. In addition SDB Steubing Derivatives Brokerage GmbH, founded in 2007 in cooperation with IDC AG, also offers independent competence in the field of structured products.

At the end of the calendar year 2009 the Group employed some 70 staff. Steubing AG is a member of the Federal Association of Securities Companies on the German Stock Markets (bwf e.V.), the securities trading companies compensation fund EdW, and Frankfurt Main Finance e.V..

## Steubing AG Services

Steubing AG offers services in the following business areas:

**Trading and Electronic order-routing** in listed stocks and bonds, certificates and warrants: In this field Steubing AG acts as an agent/own-account broker on all of the German stock exchanges, facilitates the execution of orders in XETRA® trading and also has direct online access to around 50 international markets. The Company has many years of experience in trading in international stocks. In the sales volume rankings published by Deutsche Börse AG for the various market segments, Steubing AG is regularly listed as a top performer.

**Lead Broking:** As a lead broker, Steubing AG offers issuers and investors the opportunity to trade on the Frankfurt Stock Exchange. Deutsche Börse AG has appointed us to set the price of around 1,000 German and international securities.

**Structured Products:** Since December 2008, Steubing AG has provided a service as an intermediary trading specialist at Scoach®, the European market for certificates and warrants. The issuers we support are profiting from the high quality and speed of execution.

**Designated Sponsoring:** Since Deutsche Börse AG introduced Designated Sponsoring in October 1998, Steubing AG has managed the securities issued by some attractive companies in XETRA® electronic trading. Ever since taking up this activity, Steubing AG as Designated Sponsor has earned an optimum AA ranking in quoting its clients' shares. With BB Biotech AG Steubing AG currently supports one company.

**Derivatives:** Steubing AG offers a comprehensive service in the fields of execution and volatility brokerage for all products traded on the Eurex exchange.

**Sales:** Steubing AG focuses on institutional investors, international banks and trading desks. As a well-known block trading partner, the Company is noted for its successful placements and regularly holds roadshows.

**Research:** Our analysts, each of whom has at least ten years professional experience to call on, maintain intensive contacts with the corporate world. In turn this enables them to offer both up-to-the-minute macroeconomic analyses as well as company- and industry-specific reports focusing on the renewable energy, steel and mechanical engineering sectors. A daily "Morning News" service complements our research portfolio.

**Equity Capital Markets and Corporate Advisory:** In this area we offer competent independent support for small and medium-size enterprises on issues relating to equity, such as for example how to prepare for and undertake initial public offerings and increase capital, and on the implementation of smaller M&A transactions. We also advise companies that are already listed on their positioning in the capital market. In November 2006, Deutsche Börse appointed Steubing AG as a Listing Partner. We have been active as an issuing expert in M:access since 2008.

## Contacts

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# Wolfgang Steubing AG Wertpapierdienstleister

## Financial Year

01 July to 30 June

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Frank Wiebols  
(Deputy Chairman)

Christoph Bokelmann  
Ernst Neumeier  
Dietmar Schmid  
Achim Vandreike



Mitglied im  
Bundesverband der Wertpapierfirmen  
an den deutschen Börsen e.V.



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