

**I N T E R I M   R E P O R T**  
for the first half year 2006 (1 January – 30 June)

2006

- 7,8 million Euros revenue from Investment Sales.
- EBIT 1,3 Millionen Euro.

# Dear Shareholders,

DEWB realised proceeds of 7.8 million Euros from Investment Sales in the first half-year of 2006 and realised a gross profit of approximately 2 million Euros. We have in the process sold all of our MediGene shares, about a quarter of our SMSC shares as well as unique m.o.d.e. AG. MediGene had announced its Distribution Partnership at the beginning of the year for its medication Poyphenon® E. DEWB sold its MediGene shares quite soon after this news with an average selling rate of 8,69 Euros per share. For the entire MediGene commitment, including the shares sold previously in 2005, DEWB realised an average selling price of 9,71 Euros per share and a gross profit of 3.2 million Euros.

Less pleasing was the development of the SMSC share price, which climbed initially to over 33 US Dollars a share in February and subsequently fell by the end of the DEWBs Lock-up Period in March to under 26 US Dollars per share. By the 30<sup>th</sup> of June 2006 the share price lost a further 4.00 US Dollars, which will be reflected as a decrease in Equity in the DEWB Balance Sheet as of the next reporting date. The very good quarterly financial numbers published at the beginning of July by SMSC and an optimistic outlook for the future were received very positively by the markets resulting in the SMSC shares rising again to approximately 25 US Dollars after the reporting date. This means an increase in value for DEWB of nearly 0.5 million Euros. In a friendly capital market environment we hold an ongoing rise of the share price toward 30 US Dollars in the 2<sup>nd</sup> half of the year for possible.

In the 2<sup>nd</sup> Quarter we set in motion procedures to sell KSW Microtec AG. We expect the conclusion, with all the difficulties of successfully predicting such a transaction, in the current financial year. First price indications suggest substantial profit potential from this Exit for DEWB.

The DEWB share price developed very unsatisfactorily in the first half-year. The special effect of the judgement of the Federal Judicial Court (BGH) on the 8<sup>th</sup> of May 2006 was surely a contributing factor. A complaint was rejected in which a DEWB shareholder demanded payment from the former dominating company, JENOPTIK AG, for shares tendered to JENOPTIK AG in connection with an earlier dependency agreement, a right which was reserved for the then entitled shareholders. On the day of the judgment over 2 million DEWB shares changed hands on the stock exchange, which was many times more than the usual daily turnover. In consequence, the share price of DEWB fell sharply in value. Further price decreases were noted during the course of the broad market declines of the stock markets during the 2<sup>nd</sup> Quarter. The present price level does not in our estimate appropriately reflect the prospects for our Investment Portfolio. We also do not exclude the possibility that the announced wish of JENOPTIK AG to reduce their holding of DEWB shares for strategic reasons may have had an effect on the share price.

In addition to the development of our portfolio companies we will in the next months advance in particular the acquisition of new investments and continue to work on the exit from the KSW Microtec investment.

Sincerely,



Bertram Köhler



Falk Nuber



Mirko Wäckerle

## KEY INDICATORS

	01.01.–30.06.2006	01.01.–30.06.2005
in TEUR		
<b>Sales from investment business</b>	<b>7,767</b>	30,382
<b>EBITDA</b>	<b>1,317</b>	10,605
<b>EBIT</b>	<b>1,310</b>	4,624
<b>Earnings after taxes</b>	<b>1,313</b>	4,468
<b>Earning per share (in euros)</b>	<b>0.09</b>	0.29
<b>New investments</b>	<b>748</b>	3,285
	<b>30.06.2006</b>	31.12.2005
in TEUR		
<b>Shareholder's equity per share (in euros)</b>	<b>2.55</b>	2.63
<b>Share price (in euros)</b>	<b>2.43</b>	3.90
<b>No. of shares</b>	<b>15,230,000</b>	15,230,00
<b>Invested capital</b>	<b>43,328</b>	52,439
<b>No. of portfolio companies</b>	<b>13</b>	15

**Proceeds from Sales of Shares.** DEWB realised proceeds of 7.8 million Euros from sales of shares in the first half-year. In the process all of our MediGene shares have been sold, about a quarter of our SMSC shares and unique m.o.d.e. AG. In the comparable period of the previous year DEWBs results from share sales amounted to 30.4 million Euros. These resulted essentially from the sale of the shares in OASIS SiliconSystems AG. High fluctuations in revenues and earnings are characteristic of the business of the DEWB, since sales and associated realisation of earnings occur irregularly.

The DEWB sold its shares of MediGene AG on the stock market between February and April 2006 at an average share price of 8.69 Euros and generated a gross profit of 1.2 million Euros.

unique m.o.d.e. AG was taken over by the Jenoptik Group. The sale took place in December 2005, however it became economically effective during this financial year. DEWB achieved revenues of 3 million Euros from this transaction. Prior to the sale DEWB had acquired all stock from the other shareholders as well as a loan from the Technologie-Beteiligungs-Gesellschaft mbH (tbG). Jenoptik proved to be the ideal partner for our acquisition because of their mutual technological complementation, their market access and the associated readiness to allow strategic aspects to flow into the purchase price.

DEWB AG sold the first Tranche of its SMSC shares in the 2<sup>nd</sup> Quarter of this fiscal year over the stock exchange. Proceeds of 1.2 million Euros were realised, resulting in a gross profit of 0.4 million Euros. The LockUp period for SMSC shares ran out on the 30<sup>th</sup> of March 2006.

**Operating Results.** From the investment business a gross profit of 2.2 million Euros was achieved (previous year 6.0 million Euros). In the case of all of the Exits in this financial year DEWB realised a positive contribution to the firms profitability. DEWBs structural costs were reduced in relation to the first half-year of 2005 by approximately 36 per cent to 1.0 million Euros. Administrative expenses were already adjusted in the comparison period in 2005 for costs of restructuring and structural costs not expected to reoccur in the future. As a whole DEWB achieved earnings before interest and taxes (EBIT) of 1.3 million Euros (comparison period in the first half-year 2005: 4.6 million Euros).

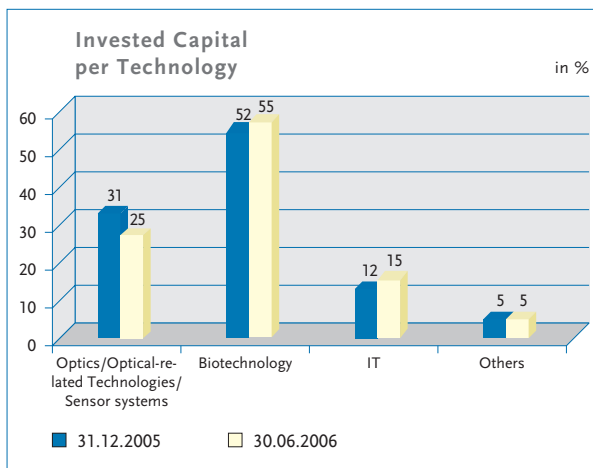
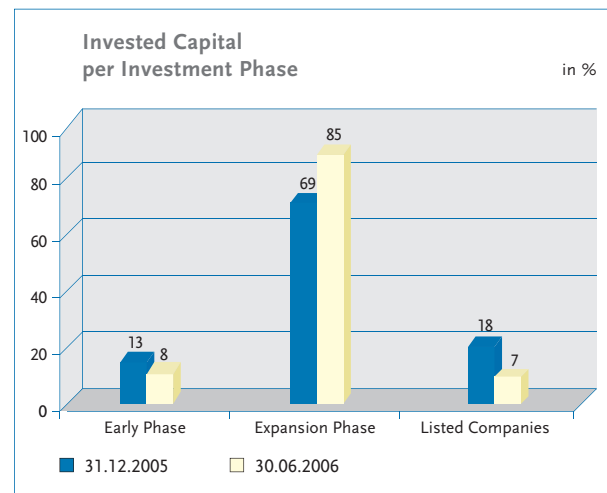
The financial results improved in the reporting period in relation to the first half-year 2005 by approximately 70 per cent or 0.4 million Euros to minus 0.2 million Euros because of the significantly improved indebtedness. Due to the reversal of deferred taxes, tax earnings of 0.2 million Euros were made. After interest and taxes, a surplus for the period of 1.3 million Euros resulted (results of the comparison period of the previous year: 4.5 million Euros). Applied to the 15.23 million bearer shares of DEWB that corresponds to earnings per share of 0.09 Euros (first half-year 2005: 0.29 Euros).

SELECTED DEWB INVESTMENT AS OF THE 30<sup>ST</sup> OF JUNE 2006

Share in %

	Optics/Optical-related technologies/ Sensor systems		Biotechnology		IT
Listed Companies	Standard Microsystems Corporation	0.8			
Expansion phase	KSW Microtec AG	29.7	EPIDAUROS Biotechnologie AG	81.3	4flow AG 65.7
	OLPE Jena GmbH	44.8	Integrated Genomics, Inc.	75.2	iTAC Software AG 8.4
Early stage	←sen Mikrosystemtechnik GmbH	40.2	NOXXON Pharma AG	61.6	
	SensorDynamics AG	9.8	Sloning BioTechnology GmbH	14.3	IVISTAR Kommunikationssysteme AG 29.3
					DEWB-IT GmbH 100.0

**Portfolio.** The DEWB holds investments in 13 companies active in the technology fields of Optics/Optical-related technologies/Sensor systems, Biotechnology and IT. The value of these investments including listed securities and receivables in investment operations amounts to 43.3 million Euros as of the 30<sup>th</sup> of June 2006, (31<sup>st</sup> December 2005: 52.4 million Euros). The decrease in relation to the beginning of the year resulted in addition to the reductions from sales of shares, from the share price losses of the SMSC shares. The price of an SMSC share fell to 21.83 US Dollars as of the 30<sup>th</sup> of June 2006, which corresponds to a price decrease of



nearly 24 per cent compared to the price as of 31.12.2005. After publication of figures for the 1<sup>st</sup> Quarter of the current fiscal year of SMSC and an outlook above market expectations, the share price again rose in the middle of July to approximately 25 US Dollars. For DEWB this improvement in price means an increase in value of nearly 0.5 million Euros.

Sales of the shares in unique m.o.d.e. AG, of MediGene and SMSC have resulted in a slight skewing in the distribution of invested capital according to technological sectors. The large share of Biotechnology firms resulted from the higher than average investment in this technological field in the past and the typically longer retention period. DEWB will concentrate its new investments in Optics/Optical-related Technologies/Sensor systems and exit from its Biotechnology and IT investments over the next few years.

The most important development in the DEWB Portfolio in the first half-year of 2006 was the conclusion of a Strategic Alliance between NOXXON Pharma AG and Pfizer Inc. NOXXON will develop product candidates for new medications for Pfizer with its Spiegelmer-Technology. Pfizer can deliver three targets per year over a period of five years to NOXXON. Additionally, Pfizer has licensed the drug candidate NOX-B11, a Spiegelmer developed by NOXXON for the treatment of obesity. From both contracts NOXXON received advance payments, milestone payments and royalties from the marketing of the products. Pfizer has also taken an equity stake in NOXXON in the form of a capital increase. In the run-up to the signing of the contracts with Pfizer, the DEWB exercised existing conversion rights to increase its share of the company from 23,0 percent to 61,6 percent. Other companies in the DEWB-Portfolio have continued to develop positively. KSW Microtec AG in Dresden has since the 2<sup>nd</sup> Quarter of 2006 offered the semi-active Smart Label „KSW-VarioSens® Basic“ as a serially produced product. This label with integrated paper thinner and an environmentally friendly battery enables a simple and cost-effective monitoring of temperature-sensitive products and is therefore a cost effective alternative to the usual temperature logger. 4flow AG has won the chemical company Lanxess as a customer. Lanxess will use the 4flow vista? software, after successfully completing a pilot project, to optimise its logistics structures. 4flow AG has as a result successfully entered the industrial chemicals market. Prior to this the company had acquired its customers primarily from the automobile industry. With the issuing of a basic patent for its gene synthesis technology in Europe Sloning BioTechnologie GmbH, another Biotech company from the DEWB portfolio, has reached an important milestone. The firm is currently preparing the market entry for its industrial gene synthesis platform.

**Balance Sheet.** The balance sheet total reduced by 16 percent to 56.1 million Euros as of the reporting date compared with the 31<sup>st</sup> of December 2005. The financial investments in the investment business fell by 8.7 million Euros to 39.0 million Euros due to sale of shares and the decline in share price levels of SMSC in the 1<sup>st</sup> Quarter of 2006. These figures include listed shares with a value of 3.2 million Euros as of the

reporting date. Cash decreased as compared to the beginning of the year by 1.5 million Euros to 9.0 million Euros as of the 30<sup>th</sup> of June 2006.

Equity fell as of the 30<sup>th</sup> of June 2006 in comparison with the beginning of the year by 1.2 million Euros to 38,9 million Euros. The profits realised in the 1<sup>st</sup> half of 2006 resulting from the sale of shares were for the most part already accounted for in Equity as revaluation reserves as of the 31<sup>st</sup> of December 2005 and therefore did not increase Equity in the reported Quarter. Simultaneously the fall in the share price of SMSC resulted in a reduction in the revaluation reserves. The equity ratio rose from 60.1 percent as of the 31<sup>st</sup> of December 2005 to 69.3 percent as of the 30<sup>th</sup> of June 2006. The Equity per Share as of the 30<sup>th</sup> of June 2006 was 2.55 Euros (31 December 2005: 2.63 Euros).

As planned the liabilities to banks were repaid in the amount of 4.7 Million Euros in the 2<sup>nd</sup> Quarter. This means the financial liabilities of DEWB fell as of the 30<sup>th</sup> of June 2006 to 15.0 million Euros. Short Term Liabilities were reduced in the 1<sup>st</sup> half year of 2006 by 4.4 million Euros, which resulted essentially from the sale of shares in unique m.o.d.e. AG and the usage of provisions. The purchase price for the shares of the unique m.o.d.e. AG was paid in December 2005 and on 31 December 2005 shown under liabilities as a deposit received.

**Outlook.** The DEWB will strive to achieve further exits in 2006. In particular KSW Microtec AG will be at the centre of our activities. The point in time, structure and volume of exit transactions are however by the nature of their complexity difficult to predict.

The available liquidity and the inflow of capital resulting from the sales will be used for investments in new engagements with a technology focus in Optics/Optical-related Technologies/Sensor systems as well as for further planned reductions of debt. With liquid assets of 9 million Euros and listed share holdings with a value of 3.2 million Euros DEWB has at its disposal the prerequisites to successfully further develop its business. Above and beyond this DEWB is examining possibilities to expand its funds available for investments.

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**BALANCE SHEET AS AT 30<sup>ST</sup> JUNE 2006**

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**ASSETS**

	30.06.2006 TEUR	31.12.2005 TEUR
<b>A. Short-term assets</b>	<b>13,941</b>	<b>16,880</b>
Cash and cash equivalents	8,976*	10,525
Receivables from goods and services	287	613
Short-term receivables from the investment business	4,368	4,771
Other short-term assets	310	971
<b>B. Long-term assets</b>	<b>42,186</b>	<b>49,900</b>
Financial investments of the investment business	38,960	47,668
Other long-term financial assets	633	663
Tangibles assets	44	71
Deferred tax assets	2,549	1,498
<b>Total assets</b>	<b>56,127</b>	<b>66,780</b>

\* of this amount, 1,222 thousand EUR set aside in a Escrow account for guarantees from the sale of OASIS SiliconSystems Holding AG

## BALANCE SHEET AS AT 30<sup>ST</sup> JUNE 2006

### LIABILITIES

	30.06.2006 TEUR	31.12.2005 TEUR
<b>A. Short-term liabilities</b>	<b>11,753</b>	<b>16,162</b>
Short-term liabilities to banks	9,987	9,637
Liabilities from goods and services	33	406
Provisions for pensions	597	597
Short-term provisions	905	1,741
Other short-term liabilities	209	3,273
Short-term liabilities to shareholders	22	508
<b>B. Long-term liabilities</b>	<b>5,500</b>	<b>10,500</b>
Long-term liabilities to banks	5,000	10,000
Other long-term liabilities	500	500
<b>C. Shareholders' equity</b>	<b>38,874</b>	<b>40,118</b>
Subscribed capital	15,230	15,230
Capital reserve	45,752	45,752
Revaluation reserve	1,097	3,654
Net result	-23,205	-24,518
<b>Total liabilities</b>	<b>56,127</b>	<b>66,780</b>

**STATEMENT OF INCOME FROM 1<sup>ST</sup> JANUARY TO 30<sup>ST</sup> JUNE 2006**

	01.01.2006 – 30.06.2006 TEUR	01.01.2005 – 30.06.2005 TEUR	01.04.2006 – 30.06.2006 TEUR	01.04.2005 – 30.06.2005 TEUR
Income from the investment business				
Income from share sales	7,767	30,382	1,692	5,500
Interest and dividend income	168	253	62	146
Expenses for share sales	5,715	18,726	1,075	3,285
Value reductions in the investment business	0	5,931	0	4,745
<b>Gross profit from the investment business</b>	<b>2,220</b>	<b>5,978</b>	<b>679</b>	<b>–2,384</b>
Administrative expenses	1,033	1,608	490	961
Other operating income	147	2,779	44	2,625
Other operating expenses	24	2,525	13	1,199
<b>Earnings before interest and taxes (EBIT)</b>	<b>1,310</b>	<b>4,624</b>	<b>220</b>	<b>–1,919</b>
Financial result	–179	–596	–53	–187
<b>Earnings before taxes</b>	<b>1,131</b>	<b>4,028</b>	<b>167</b>	<b>–2,106</b>
Taxes on income and earnings	–182	–440	22	–471
<b>Earnings after taxes</b>	<b>1,313</b>	<b>4,468</b>	<b>145</b>	<b>–1,635</b>
Earnings per share – undiluted (in euros)	0.09	0.29	0.01	–0.11
Earnings per share – diluted (in euros)	0.09	0.29	0.01	–0.11
Weighted number of shares – undiluted	15,230,00	15,230,00	15,230,000	15,230,000
Weighted number of shares – diluted	15,230,00	15,230,00	15,230,000	15,230,000



## STATEMENT OF CHANGES IN EQUITY

	Subscribed- capital	Capital reserve	Revalu- ation reserve	Own shares	Net result	Share- holder's equity
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
<b>Balances as of 01.01.2005</b>	<b>15,230</b>	<b>43,252</b>	<b>7,042</b>	<b>-128</b>	<b>-25,637</b>	<b>39,759</b>
Transactions with Shareholders		2,500				2,500
Change in value of own shares				128		128
Change in revaluation reserve			-3,559			-3,559
Net result					4,468	4,468
<b>Balances as of 30.06.2005</b>	<b>15,230</b>	<b>45,752</b>	<b>3,483</b>	<b>0</b>	<b>-21,169</b>	<b>43,296</b>
<b>Balances as of 01.01.2006</b>	<b>15,230</b>	<b>45,752</b>	<b>3,654</b>	<b>0</b>	<b>-24,518</b>	<b>40,118</b>
Change in revaluation reserve			-2,557			-2,557
Net result					1,313	1,313
<b>Balances as of 30.06.2006</b>	<b>15,230</b>	<b>45,752</b>	<b>1,097</b>	<b>0</b>	<b>-23,205</b>	<b>38,874</b>

## STATEMENT OF CASH FLOWS FROM 1<sup>ST</sup> JANUARY TO 30<sup>ST</sup> JUNE 2006

	01.01.2006 –30.06.2006 TEUR	01.01.2005 –30.06.2005 TEUR
Period result	1,313	4,468
Cash flow from the investment business		
Profits from the sale of investments	–2,092	–11,876
Receipts from the sale of investments and the repayment of loans	6,023	27,520
Payments made for investments	–1,398	–4,385
Value adjustments to investments	0	5,931
Depreciation on fixed assets	7	50
Profits/losses from the sale of fixed assets	–10	2
Other non-cash expensive and income	–199	34
Change in other operating assets and liabilities		
Receivables from goods and services	135	14
Other receivables and assets	–84	75
Provisions	–436	159
Liabilities from goods and services and other liabilities	–211	207
<b>Cash flow from operating activities</b>	<b>3,048</b>	<b>22,199</b>
Receipts from the sale of tangible assets	16	1
Receipts from the disposal of financial assets	548	421
<b>Cash flow from investing activities</b>	<b>564</b>	<b>422</b>
Receipts from the sale of own shares	0	226
Repayment of loans	–5,161	–12,767
Payments for finance leases	0	–47
<b>Cash flow from financing activities</b>	<b>–5,161</b>	<b>–12,588</b>
<b>Change in cash and cash equivalents</b>	<b>–1,549</b>	<b>10,033</b>
Cash and cash equivalents at the beginning of the period	10,525	3,634
<b>Cash and cash equivalents at the end of the period</b>	<b>8,976*</b>	<b>13,667</b>

\* of this amount, 1,222 thousand EUR set aside in a Escrow account for guarantees from the sale of OASIS SiliconSystems Holding AG

# Notes to the Quarterly Report for the 1<sup>st</sup> half year 2006

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## 1. BASICS

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This interim report of the DEWB AG was prepared according to the International Financial Reporting Standards (IFRS) of the IASB taking into consideration the Interpretations of the International Financial Reporting Interpretations Committee (IFRIC). All Accounting Standards applied during the 2005 fiscal year were taken into account. No balance or valuation methods were used which were not in accordance with IFRS. The present Interim Report was not subject to review.

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## 2. BALANCE SHEET AND VALUATION METHODS

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The financial statement as of the 30<sup>th</sup> of June 2006 was prepared in accordance with International Accounting Standard (IAS) 34 "Interim Reporting". The same accounting methods were used as in the Annual Report for the fiscal year 2005. These methods are disclosed and described in detail in Notes to the Annual Report for 2005.

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## 3. EXPLANATION OF THE COMPANY'S PERFORMANCE; EVENTS OF SPECIAL IMPORTANCE SINCE THE QUARTER END

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The explanation of the company's performance during the 1<sup>st</sup> half year of 2006 appears in the first section of this report.

The investment business is conducted internally by DEWB AG on an integrated basis without segmentation into business areas or regions. Sales and profits result primarily from the sale of portfolio companies. The regional origin of the purchasers does not result in any variations in risk for the business activity of the company. Consequently there is no distinction drawn between any segments.

After the reporting date there were no incidences of particular significance in the accounts of DEWB AG or in its surroundings.

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## 4. FURTHER DISCLOSURES

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During the 1<sup>st</sup> half year of 2006 the personnel composition of the Business Management or Board of Directors of DEWB AG did not change. As of the 30<sup>th</sup> of June 2006 the company had 8 employees. No dividend payments were made during the reporting period.

As of the 30<sup>th</sup> of June 2006 DEWB AG holds none of its own shares and has not purchased or sold any of its own shares during the 1<sup>st</sup> half year of 2006.

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## DATES FOR 2006

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Publication of the Interim Report  
for the first nine months

**9. NOVEMBER 2006**

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## CONTACT

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