Märkte · Wertpapiere · Börsen

Annual Report 2004

2004

MWB
WERTPAPIERHANDELSHAUS
AKTIENGESELLSCHAFT

Taken at face value, the financial sector focuses exclusively on material values. However growth and success also depend on how a company behaves in its relationships with business partners, shareholders and employees. Openness and trust can be decisive competitive advantages, particularly on the capital market.

It takes stability and conviction not to lose sight of entrepreneurial values during difficult periods. At MWB AG we are aware that the economic stability of a public limited company is directly linked to characteristics such as honesty, reliability and responsibility. These characteristics form the foundations for long-term ties to customers, colleagues and shareholders. And last but not least, our values allow MWB to enjoy an excellent reputation in the industry, they ensure that our employees remain with our company for a longer than average period, and that we continue to enjoy the trust of many of our shareholders despite losses over the past few years.

Creating value

Striking a healthy balance between an orientation to earnings and practiced values is our challenge for the coming years. Let’s keep our common values and create new ones!

MWB Group	2004	2003	+/- in %
Commission result	TEUR 1,656	TEUR 1,086	+52
Trading result	TEUR 3,607	TEUR 3,008	+20
Personnel expenses	TEUR 2,565	TEUR 2,539	+1
Administrative expenses	TEUR 5,031	TEUR 4,526	+11
Profit from ordinary activities	TEUR -1,935	TEUR -2,423	+20
Net loss	TEUR -2,046	TEUR -2,331	+12
Balance sheet total	TEUR 18,119	TEUR 19,778	-8
Equity	TEUR 15,460	TEUR 17,522	-12
Earnings per share	€ -0.20	€ -0.20	±0
Number of employees	28	29	-3

At a Glance

Märkte · Wertpapiere · Börsen

Annual Report 2004

2004

WERTPAPIERHANDELSHAUS AKTIENGESELLSCHAFT

OPENNESS

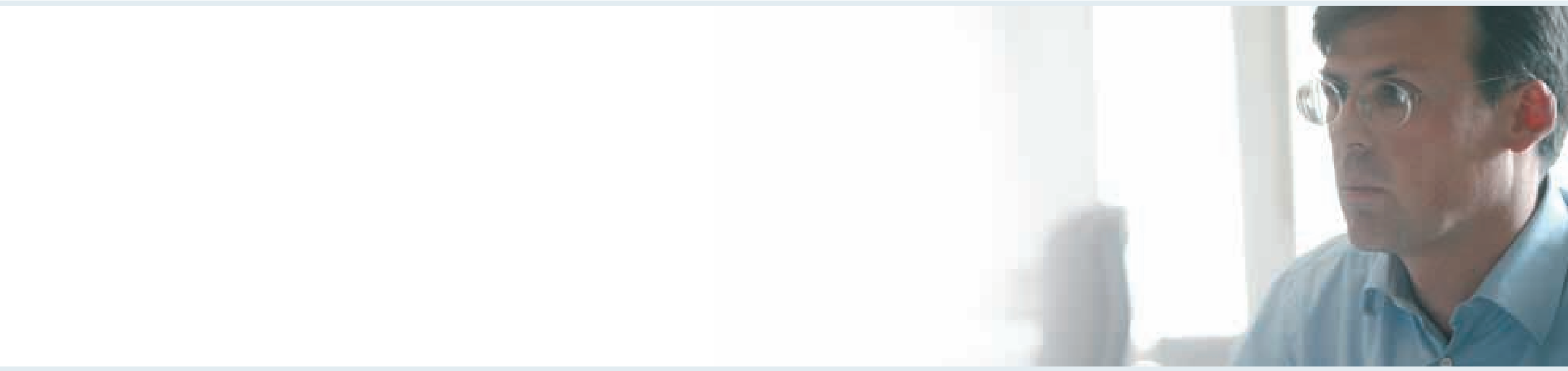
CONVICTION

RESPONSIBILITY

TALENT

TRANSPARENCY

Content



This edition of our annual report is prepared for the convenience of our English-speaking readers. It is based on the German original, which takes precedence in all legal aspects.

OPENNESS

Interview

"Our shareholders always know what the deal is ..."

Corporate values vs. shareholder value: An interview with Thomas Posovatz and Herbert Schuster, Members of MWB AG's Management Board.

QUESTION: *Mr. Posovatz, Mr. Schuster, would you agree to the claim that trust in the financial sector has been lost over the past few years?*

HS: Yes, definitely. It's also clearly visible if we look at the image of many banks – which has suffered greatly. Not just from staff cuts here or there, but because of the quality of advice they are offering. That has damaged the reputation of the industry – to which we also belong.

QUESTION: *What is MWB doing to retain trust, in particular the trust of its shareholders?*

HS: In general terms, the key is a large degree of openness and transparency, and in dealing fairly with each other. That means both our dealings with our shareholders, as well as with colleagues, competitors and, of course, our employees. Particularly in difficult periods, some companies try to hide their results right up to the very last instant – in the hope that a miracle will still happen. In contrast, we have highly transparent quarterly reporting, and deal with issues – no matter how unpleasant they may be for us – very openly, so that our shareholders always know what the deal is.

QUESTION: *Openness, honesty, responsibility… Are these corporate values that you consciously practice?*

TP: Exactly. These are our corporate values. In our view, this not only includes openness to the outside world, but also within MWB – to our employees, who play a major role in our idea of excellent corporate management.

HS: The buzzword is fairness, a word which is mostly used in the sporting arena, and of course sports are also highly result-oriented. Our poor results meant that we had to change a few things in our company, including issues that affect our employees. That makes it important to deal fairly – keeping the employees abreast of the circumstances, the cost structures, the correlations, so that they also understand why things have to be done this way and not differently. Fairness is also mission-critical when it comes to competitors. Of course there is tough competition for order books and new issues, but we must not lose sight of the fact that we need alliances against individual stock exchanges, and that agreement can only be reached if we have not previously burned our bridges.

QUESTION: *That means that you are in constant contact with your competitors?*

TP: Yes. Of course it goes without saying that we don't swap intimate details about strategies, however it is incredibly important that there is a constant flow of information about how the stock exchange and our business should be structured.

QUESTION: *You mentioned responsibility to your employees. And yet MWB also had to make staff cuts over the last two or three years. Can you explain that?*

TP: Especially at the end of last year

we had to part company with a few employees. The point was: during the 3rd and 4th quarters – also as a result of changes to our Management Board – we went through our cost structures with a fine-tooth comb and reached the conclusion that, when it came to human resources, salary cuts were preferable to staff cuts. We held in-depth discussions with our traders in particular, and convinced them that it made sense to do without part of business practices. One characteristic of our industry is that deals are often concluded with a simple phone call. Sometimes enormous sums of money are moved with just a handshake. If our customers make a mistake, we try to help them to rectify the situation. We believe that this good-will is extremely important – because if we should ever be the ones to make a mistake, it would be up to our customers to help us to set the matter straight. felt in lower productivity which damages the company. Of course we can't lose sight of returns – so that we don't end up with the wrong impression. We always have to try to create the maximum possible profits. And yet I ask myself time and time again – at what price?

QUESTION: *But fact is that MWB's share price has slumped, and is still relatively low …*

"In general terms, the key is a large degree of openness and transparency, and in dealing fairly with each other."

their fixed salary, and to receive performance-related remuneration in its place. We were able to convince almost everybody – with a very few exceptions.

TP: In January and February, it looks like the performance-related remuneration will be paid to the majority of our traders. This means that our new salary model is really motivating our employees.

QUESTION: *You highlighted MWB's excellent reputation in the banking sector with regards to your customers. What do you think the reason for this is?*

TP: To put it briefly – our excellent reputation is due to our best-of-breed

QUESTION: *Your shareholders: people often say that shareholders are only interested in shareholder value. Are they ever interested in a company's moral standpoints?*

TP: If I take a look at our shareholder structure – shown very clearly by attendance at our general meeting – I have to say that I very often hear feedback from our shareholders that our company's sustainability is much more important than shareholder value.

HS: In my eyes, shareholder value is one of those terms that's in fashion. In many companies, overvaluing shareholder value has led to disastrous staff structures, which in turn have led to demotivation. That then makes itself

TP: Since we have been listed, our share price has been closely linked to our results. We have had four consecutive years of negative earnings – in line with developments at all of the other securities trading companies. Every single shareholder has to be aware of the fact that MWB's share price will always be geared to the situation on the stock market.

QUESTION: *You mentioned sustainability. Can you put that in more concrete terms? What does sustainability mean for you as an MWB AG board member?*

TP: Let me give you an example: Two weeks ago, we had a lengthy discussion with one of our customers, and he said that he would love to give us even more business in future, but he had to be certain that he would have that business to give us over the next few years. That is a prime example of what we understand by sustainability – we have to be able to show our customers, employees and shareholders that they can continue to count on us in future.

HS: When we talk about sustainability, that also means that despite our poor results over the past few years we

"We always have to try to create the maximum possible profits. And yet I ask myself time and time again at what price?"

must not be tempted to increase our potential risk, but to continue to subject all of our activities to a levelheaded risk assessment.

QUESTION: *We have discussed some very different corporate values – which ones do you want to highlight in 2005?*

TP: I think that our shareholders certainly expect us to finally record positive results if the excellent environment we have enjoyed in the first two months continues at the same level. That is one of our objectives for 2005. However there's still a caveat: we will not strive to achieve this target at any price and, for example, enter into higher risks.

HS: A critical factor for 2005 is harmony. Our aim has to be that employees at all of our branches grow closer together, and that we present a uniform image of MWB to the outside world.

(Interview conducted by the author Lothar Reusch on March 2, 2005)

Letter to shareholders

Letter to shareholders

Dear Shareholders,

The good news in 2004 was: the economy is growing again and the financial markets are recovering. The bad news was that this wasn't happening as fast as had been hoped. All over the world, stock market barometers have been rising, but an increase of 7 % (DAX) or 3 % (Dow Jones) is certainly no reason for euphoria. The promising start in the first quarter was slowed by factors including the increase in commodities prices and a bullish bond market, driven by high liquidity and weak equity turnover. In Germany there was not much to separate the good from the bad. Corporate earnings were excellent, and export sales hit a record high, but these figures were not able to cover up the low level economic growth, which didn't even provide enough impetus to jump-start the labor market. Stagnating household income and fears of job losses in turn led to renewed weakness in domestic demand and passive investment behavior. At the first glance, this is hardly a backdrop that gives cause for great hope. However, it does show signs that the slow recovery is at least continuing on the financial markets. The early months of 2005 have been more than satisfactory, and increasing optimism can be perceived among institutional investors in particular.

Improved commission and trading results

After a historic low in 2003, the turnover in foreign stocks increased again substantially in 2004. In total, foreign stocks with a value of EUR 220 billion were traded – an increase of 27 %. That means that volumes are around the same level as in 2002. MWB has been able to improve its commission result for the second consecutive year – thanks to this satisfactory starting position. The improved opportunities for trading meant that commission income lifted by 52 % from EUR 1,086 thousand to EUR 1,656 thousand. Trading result also enjoyed positive growth, up by EUR 599 thousand to a total of EUR 3,608 thousand. Thus, the profit from ordinary activities was also up year-on-year. However, despite all of our efforts and an excellent first quarter, we have not succeeded in achieving the balanced results we had originally forecast. The profit from ordinary activities totaled EUR -1,935 thousand and was unfortunately negative. This was due to both higher settlement costs – a direct result of the increased trading volume – as well as restructuring expenses and the usual conservative policy for forming provisions. For example, an additional provision totaling EUR 171 thousand was formed just for the reallocation of costs for BaFin (Federal Financial Supervisory Authority) for 2001.

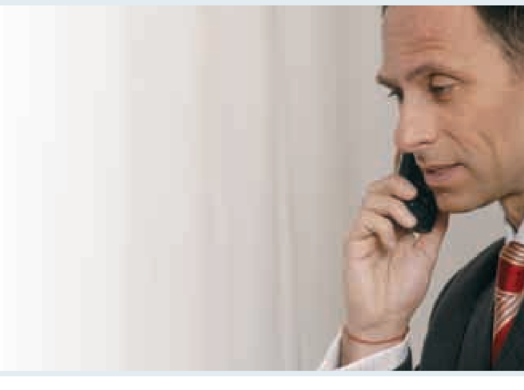
MWB Wertpapierhandelsbank

We discontinued the operations of MWB Wertpapierhandelsbank on December 31, 2003. Existing customers were transferred to MWB Baden GmbH, in which we hold a 60 % interest. Negotiations surrounding the sale of the "legal shell" of MWB Wertpapierhandelsbank, including the banking license were initially positive, however these failed to our great regret. The potential buyer, with whom we have a legally enforceable, notarized contract, has not transferred the purchase price, and we now have an attachment order against the purchaser. In agreement with BaFin, the license for the bank was returned during the third quarter. In order to keep our strategic options for the future open, MWB Wertpapierhandelsbank's pure legal shell as a GmbH (limited liability company) will remain, however without operations.

New board member for securities trading

MWB AG welcomed a new board member for securities trading on August 1, 2004. Herbert Schuster is an ideal supplement to our team as an order book management specialist, and he will help to reinforce our company's positioning. He succeeds Thomas Mühlbauer, whose contract ended on December 31, 2004 and which we mutually agreed not to

> *Openness, transparency and stability are more important than hunting down short-term economic success.*
>
> *Thomas Posovatz, Management Board Member*



extend. This was also the case for Christine Niederreuther-Rohrhirsch, who had been the board member for human resources, accounting and compliance. In both of these cases, a difference of opinion about the company's future strategy led to their exit. We will not be appointing a successor to Ms. Niederreuther-Rohrhirsch's position on the Management Board in view of the current market environment – we have made this decision above all as a result of our responsibility to our shareholders. The salary payments for a board member that we have thus saved in the current year will lead to a further reduction in personnel costs and also to improved earnings in 2005.

Trusting values

We are very happy that you, our shareholders, have put your trust in MWB's potential – even during a turbulent period on the stock market. And it shows us that stability, openness and transparency are more important than hunting down short-term economic success. We've put restructuring behind us and have returned our focus to our core competences, and now meet all the requirements for further growth. And that's why our primary objective for 2005 is to record positive results. In reaching this target, we can count on our highly motivated employees, a great number of whom have been loyal to MWB for many years. We would like to thank them very much indeed for this loyalty and for their continued great commitment last year. We must also thank our Supervisory Board which has provided us with extensive and competent support for both human resources and strategic issues.

We're looking forward to continuing our value-able partnership!

Thomas Posovatz,
Speaker of the Management Board

MWB is my job since 12 years.
I've seen ups and downs here just like in other jobs.
What counts especially is the faith in a successful future.
That's the reason why I am able to motivate myself consistantly.

Christian Lechner, Division International Stocks

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

Herbert Schuster,
Management Board Member
in charge of Securities Trading

Supervisory Board’s Report

Dear Shareholders,

During fiscal year 2004, the Supervisory Board monitored the Company's Managing Board and fulfilled its duties in accordance with its obligations as specified by both legal and statutory requirements. The members of the Supervisory Board were informed of business policy, undamental management issues, the company's and the group's situation and growth, and key business transactions in good time by the Managing Board both in writing and orally. The members of the Supervisory Board advised the Managing Board in depth on these issues. No Supervisory Board committees were formed.

During fiscal year 2004, five meetings of the Supervisory Board took place on February 3, April 20, June 21, September 22 and December 2, with all of the members of the Supervisory and Managing Boards participating. One resolution was passed by circulating the voting papers on March 2/3/4. The Supervisory Board was also kept informed of business developments once a month between the individual Supervisory Board meeting, and the members of the Managing and Supervisory Boards were in constant contact regarding the company's economic and strategic further development.

A significant increase in commodities prices, the weak US dollar and the continuing bullish bond market meant that only slight market growth was possible in fiscal year 2004. As a result, the company did not succeed in achieving its forecast balanced result in fiscal year 2004. During the fourth quarter, the company's management resolved a range of restructuring activities, the impact of which will be felt in fiscal year 2005 and in subsequent years.

As a result of differences in opinion regarding the company's strategic orientation the Supervisory Board reached an agreement with Ms. Christine Niederreuther-Rohrhirsch and Mr. Thomas Mühlbauer that their term of office which ended on December 31, 2004 would not be extended. The term of office of the Managing Board member Mr. Thomas Posovatz was extended to December 31, 2007. Mr. Herbert Schuster was also appointed to the Managing Board with a term to December 31, 2007.

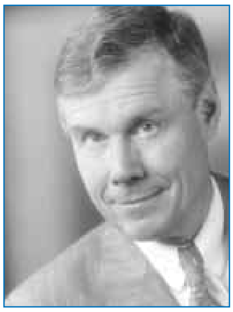
The company's annual financial statements and the consolidated financial statements including the management and group management report were audited by KPMG Deutsche Treuhand-Gesellschaft AG Wirtschaftsprüfungsgesellschaft, Frankfurt and Berlin. The annual financial statements and the consolidated financial statements have been issued with an unqualified audit opinion. The Supervisory Board discussed the annual financial statements and the consolidated financial statements with the Managing Board and the auditors in the Supervisory Board meeting to review the accounts on April 26, 2005. After its final review of the annual financial statements and the consolidated financial statements on December 31, 2004 and of the management reports, the Supervisory Board concurs with the findings of the auditor. The Supervisory Board approved the annual financial statements and consolidated financial statements prepared by the Managing Board on April 26, 2005. The financial statements are thus adopted in line with section 172 of the Aktiengesetz (AktG – German Public Limited Companies Act).

The Supervisory Board discussed corporate governance issues in its meeting on December 2, 2004, and agreed the 2004 declaration of conformity in this meeting. In the same meeting, the Supervisory Board reviewed the efficiency of its activities.

The Supervisory Board would like to thank all of the employees and the company's Managing Board for their commitment in fiscal year 2004 despite the difficult market environment.

Graefelfing, April 2005.

Dr. Ottheinz Jung-Senssfelder,
Chairman of the Supervisory Board



Dr. Ottheinz Jung-Senssfelder
Chairman

Thomas Mayrhofer
Vice Chairman

Dipl.Kfm. Michael Wilhelm

Divisions

High-level sideward shift

After a weak 2003, the first quarter of 2004 gave cause for hope. The DAX stabilized above the key psychological 4,000-point threshold and trading volume increased significantly in the first quarter. As a result, MWB AG was in the black at the end of a quarter for the first time in three and a half years. But the promising start to the year soon proved to be a flash in the pan. Spiraling energy prices and the paralyzing economy resulted in renewed stagnation as early as the end of the second quarter. At the end of the year, the DAX had lifted to just 4,300 points, causing a general mood of disappointment – much more had been expected from the "year-end rally". However the increase in trading in foreign stocks was very pleasing for MWB – this led to results improving year-on-year. Everything is pointing towards turnover in foreign stocks increasing further. The mood among institutional investors has now also improved perceptibly. That means conditions are excellent for all of MWB's core divisions – from Specialist Business and Sales through to Order Execution.

New names for the Divisions

Customer orientation is a key value at MWB. We are well-known for being a dependable partner that has established close links to its customers thanks to our fairness and competence. To highlight this customer orientation still further, and at the same time to hone our public profile, we have renamed our divisions. Three clear top-level names now make it easier to allocate the individual divisions to the correspon-ding customer groups.

- The "Foreign Stocks" division includes specialist business and global proprietary trading in foreign stocks.

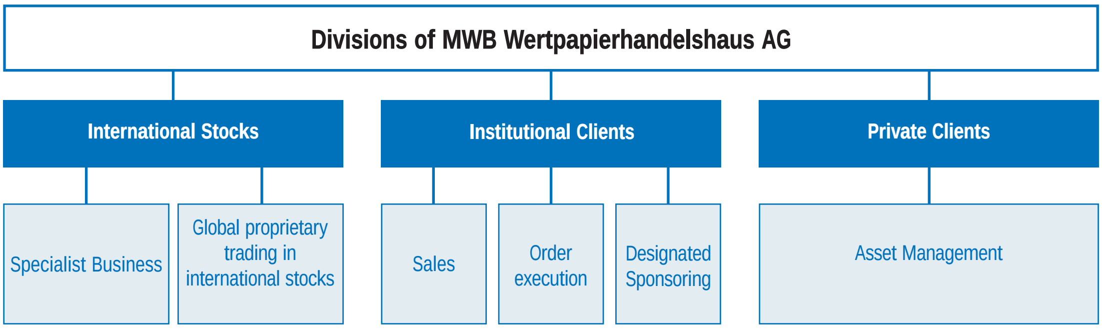
- The "Institutional Clients" division comprises sales, order execution and designated sponsoring.

- The "Private Clients" division refers to our interest in MWB Baden, which is exclusively dedicated to private asset management.

All three of our divisions grew positively during 2004 and contributed to the improved results.

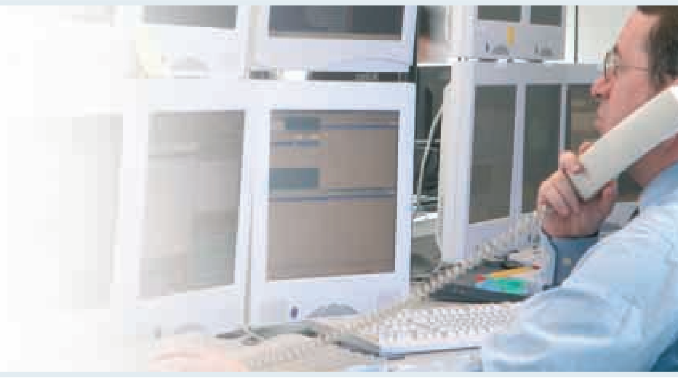
International Stocks

Our specialist business and proprietary trading divisions played a major role in improving our earnings in two conse-cutive years. Whereas the increase in



Talent means trading a stock with maximum profit – but never lose track of the risk.

Georg Pfundstein, Division International Stocks



trading in foreign stocks was a major contributing factor for specialist business, proprietary trading in foreign stocks, which we established in 2004, has grown to be a sustainable second area of activities. We originally intended to specialize in Asian stocks (for example, MWB introduced 28 Indonesian blue chips to the market last year), however this has become a global endeavor due to its great success. There are no restrictions to regions or markets, however there are clear focuses, allowing us to use the high income-generating opportunities offered by proprietary trading. Although this division was first called into being in the second quarter, it contributed around 14 % of our trading profits – which were up EUR 599 thousand year-on-year. We recorded total trading profits of EUR 3,608 thousand. Our commission result improved from EUR 570 thousand to EUR 1,656 thousand – and was thus up 52 % compared to 2003. This development is not only indicative of our team's successful work, but is also a sign of the increasing stabilization on the stock markets, and we depend particularly on this stabilization in our foreign stocks division. We believe that the trading volume will continue to increase over the coming months and that it will at least stabilize at its current level.

Stock market competition increases

MWB is and will remain one of the key players on the German stock markets. The number of shares that we are in charge of increased significantly once again over the past few months. We now support around 2,500 shares (single counting) – and the trend is growing. The MAX-ONE market model we co-designed at the Munich Stock Exchange is also growing satisfactorily on the whole. At present, the Munich Stock Exchange is pursuing the aim of generating more order flow for Germany's third-largest stock exchange, which will directly benefit MWB in the form of commission. There is, however, a note of disappointment in that there are stillextreme cost problems for the MAX-ONE specialists. As a result, we will be keeping a critical eye on MAX-ONE's further development.

Survival of the fittest for specialists

The cost pressure in the industry will continue to increase, and the selection process will also become more rigorous. The grandfather clause for specialists in Official Trading and the Regulated Market of the Frankfurt stock exchange ends on June 30, 2005, which may well mean the end of the road for a host of specialist firms. Deutsche Börse has resolved a completely new model for order book distribution which takes effect on July 1 – to bring the size and quality of providers into line. The strict requirements include a three percent market share for trading and guaranteeing a high quotation quality. It is true that this only affects MWB indirectly, as all of the shares we are in charge of are traded in the Unofficial Regulated Market, however there will also be a stricter set of rules in this segment. In future, the specialist's admission will depend directly on performance, and there is a requirement to use an electronic limit control system. MWB is currently in the process of developing this type of system. Frankfurt Stock Exchange's rigid activities will disquiet the market, on the other hand they will bring about a sagacious increase in trading quality. For some market players, such as MWB, who have always implemented standards which reach further than required, these new rules are not a restriction, but an opportunity to secure more market share as an established specialist firm.

Institutional Clients

This newly titled division comprises sales, i.e., trading on behalf of institutional clients, order execution on behalf of banks, and designated sponsoring, which was added in 2004. We have been able to book a major success in this area in its first year of existence: SOLON AG, a Berlin-based, mid-size photo-voltaic company which we support, has enjoyed a ten-fold increase in its share price since MWB became its designated sponsor in March 2004. In addition, we were able to successfully place two capital increases with institutional investors in 2004 and at the start of

During a worse economic situation it is easy to lose money at the stock exchanges but extremely difficult to earn it. Specific information exchange with clients and collegues creates essential safeness.

Marlene Tavernier, Division Institutional Clients

2005 with a volume of approx. EUR 19 million. This reference has allowed us to very quickly build up an excellent reputation in our new division, and to already win two new mandates in the form of the IFEX Group and Wapme Systems AG. In total, our Institutional Clients division has proved itself as a driving force for further growth, and has reduced our dependence on trading in foreign stocks as planned. Our decision to focus our activities on institutional clients in 2004 was more than sensible in view of the contribution to results. This division already contributes 43 % to the total commission income, without having exhausted it's growth potential. As a result of the excellent sales and our forecast that the volume of sales and order execution will grow, we opened our own sales office in Frankfurt in May 2004.

Private Clients

MWB AG continues to be active in private asset management via our 60 % interest in MWB Baden GmbH. Our focus on a promising location has proven to be the right decision. As was the case in 2003, we were able to increase the number of customers as well as the volume of assets under management. As of December 31, 2004, these totaled EUR 20.7 million compared to EUR 13.5 million at the end of 2003. The assets stemmed from a total of 284 clients. In view of the continuing skepticism among private investors, this is a respectable figure, contributing a substantial 27 % to MWB's total commission income. We are confident that we will be able to further increase this footprint, and will certainly retain the investment in its current form.

Prospects

The restrained upturn on the financial markets continued in the first two months of 2005. The DAX climbed to 4,400 points at the start of March – its highest level since the summer of 2002. Excellent economic indicators from the US were offset by devastating labor market statistics in Germany. That means that any forecasts have to be cautious, in particular if we think back to our experience last year – which also started promisingly only to tail off later. Despite this healthy skepticism, we are confident that we will be able to present positive total earnings figures and a renewed improvement in results. Our forecast is based on our observation that MWB's past monthly results were almost parallel to the performance of the DAX. Our optimism is also based on our successfully concluded restructuring program coupled with a change to our board membership, as well as the excellent results in all of our newly established divisions.

Linking knowledge and values

Combining entrepreneurial abilities with corporate values will continue to ensure MWB's stability in future. We have always looked first to quality, and not to short-term success – which means that we hold an excellent position in terms of liquidity and equity, and that we also enjoy the reputation of being a serious, responsible partner. Things are certainly getting rougher in our competitive environment, and our collegiality and close contacts to colleagues and clients will pay off over the long term.

Especially institutional clients ask
for individual responsibility in daily business and
sustainability in corporate management.
This is the basis of confinding cooperation.

Andreas Burger, Division Institutional Clients

Investor Relations

Strong share price fluctuation

The performance of MWB's shares is almost exactly in line with the state of the market. After a steep increase to EUR 4.26 on March 10, 2004, our shares came under strong pressure due to the sideward shift on the stock market. The low of EUR 1.90 in September was, however, just a blip, and the price increased to EUR 2.43 by the end of the year – and this figure has stabilized since the start of 2005. In spite of this, however, we are certainly not satisfied with our share's performance, even though in this respect too, our performance is almost identical to that of our competitors. In other words, it corresponds to the situation on the market and not to individual shortfalls in our management. The share price simply reflects the fact that the leading German index has increased by just seven percent, and that the mood on the markets continues to be reserved. This means that a further increase in the leading index should have a direct impact on the MWB share price.

Open dialog

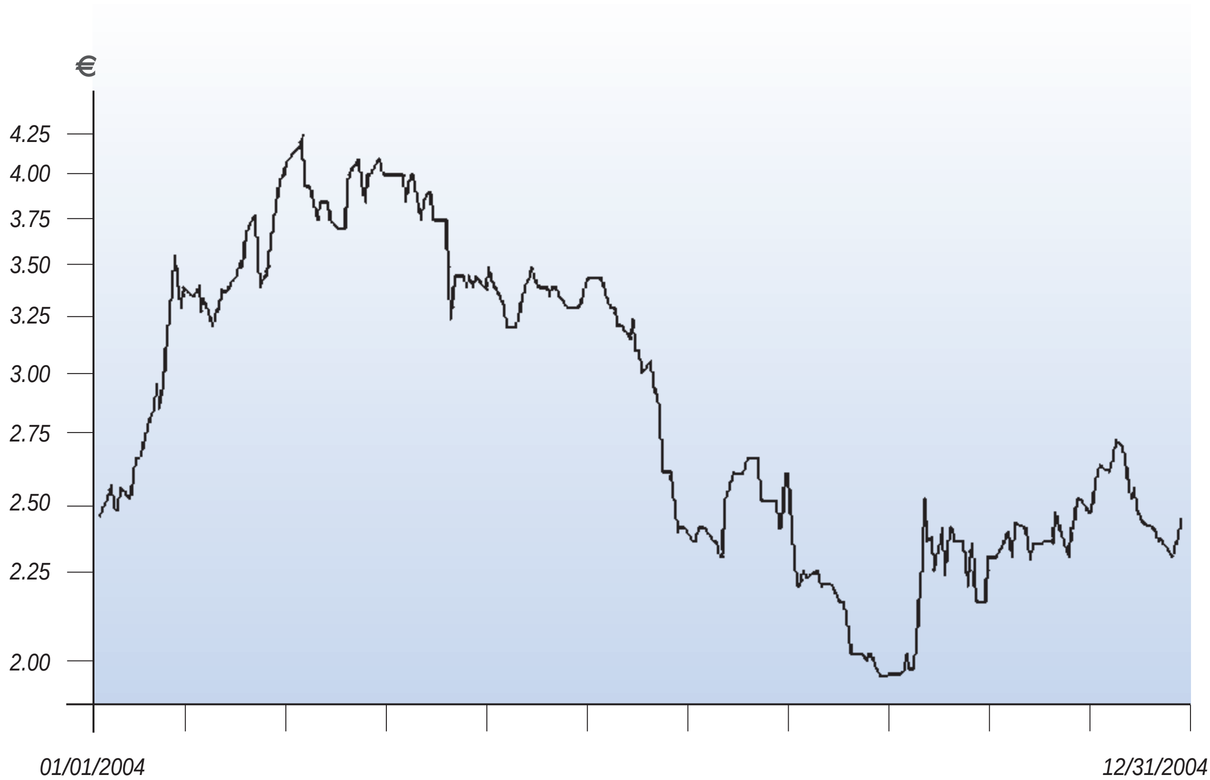
In line with one of our most important corporate values, we upheld MWB's open information policy in 2004. At our financials press conference on May 12, 2004, and our general meeting on June 23, we also responded to critical questions and were able to publicly underscore our positive image. At the financial fair INVEST, from March 5 to 7, 2004 in Stuttgart, we participated for the first time as partners at the Munich Stock Exchange stand – which brought with it a host of new contacts. And last but not least, MWB issued its annual declaration of conformity with the Corporate Governance Code in December. There were no changes compared to the 2003 declaration of conformity. The exact wording can be viewed on the Web at www.mwb.de. This year's general meeting – where we hope to also be able to present the first positive trends for 2005 – will be held on July 12. We hope to see you there.

Transparency creates trust. Our maxim at all times is honesty and openness, against partners, employees and shareholders. Daily.

Eduard Soeffker, Division Accounting, Risk Management and Controlling

Performance of MWB's share price (€)

12/31/2004 (Close)	09/08/2004 (High)	03/11/2004 (Low)
€ 2,43	€ 4,26	€ 1,90



Price of MWB's shares from January 1, 2004 to December 31, 2004

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2005 Schedule

Date	Topic	Place
03/01/2005	Publication of interim figures 2004	
04/08 – 04/10/2005	Participating at the INVEST 2005	Stuttgart
04/28/2005	Publication of first quarter figures 2005	
05/24/2005	Balance sheet press conference	Munich
07/12/2005	Annual Shareholder´s meeting	Munich
07/26/2005	Publication of semiannual figures 2005	
10/25/2005	Publication of third quarter figures 2005	
4th quarter	Analysts conference	Frankfurt a. M.

Clear objectives create prospects – prospects create motivation.
At employees, partners and shareholders.

Bettina Schmidt, Division Investor Relations

Financial Section

The economic environment in fiscal year 2004

As a rule, stock markets provide advance notice of economic developments, reflecting these in share prices. After the strong increase in prices in 2003, last year saw global economic growth of around 5 %, linked to mostly excellent corporate results, but it also saw a significant increase in commodities prices, in particular for gold and mineral oil. The continued "cheap money policy" being promulgated by the US Federal Reserve weakened the US dollar compared to other global currencies, including the euro. The interest rate hikes in the US in the second half of 2004 were not able to counter this slide.

The bullish bond market resulting from high liquidity and the continued reserve being shown for equity investments continued into 2004 – surprising many experts. Domestic demand in Germany was generally weak, and coupled with the increasingly tense labor market and stagnating net incomes this meant that only moderate share price growth was possible. For example, the German index DAX only lifted by around 7.3 %, whereas second-line stocks performed significantly better for the third consecutive year.

The bomb attacks in Madrid in March 2004 and the continuing tense situation in Iraq showed that the stock markets continued to be highly sensitive to political events. After an excellent start in the first quarter, securities turnover in Germany fell strongly in the second and above all in the third quarter, only recovering again towards the end of the year, while the DAX remained at around 4,000 points.

The moderate stock market growth is reflected in the performance of German securities trading houses' shares, which fell significantly in particular from the second quarter.

1. Business development

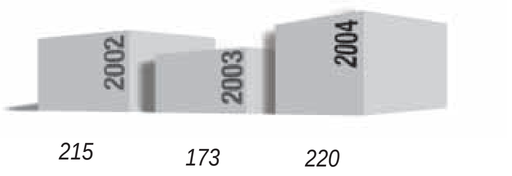
The business development in 2004 was characterized by one good and three mostly weak quarters as a result of the economic situation described above. It is worth mentioning that two of MWB Managing Board members left the company in the middle of the year and were replaced by a new board member in August 2004.

During the fourth quarter, the company's management resolved a range of restructuring activities, the impact of which will be felt in fiscal year 2005 and in subsequent years. The core items of this program include a range of general cost cuts, and above all reducing traders' fixed salaries while simultaneously introducing a performance-oriented remuneration system, the accelerated expansion of proprietary trading and institutional sales activities as well as generally restructuring the individual divisions. In future, MWB Wertpapierhandelshaus AG will only comprise the two divisions of International Stocks and Institutional Customers with the corresponding management responsibilities. The "International Stocks" division covers specialist business and proprietary trading. The "Institutional Customers" division includes institutional sales, order execution and designated sponsoring. These two divisions are supplemented by MWB Baden GmbH's "Private Clients" division.

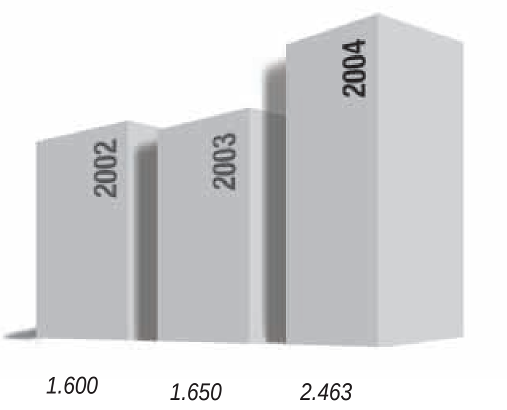
International stocks

After three consecutive downwards years, turnover in international stocks increased for the first time in Germany in fiscal year 2004. This was up by around 27 % on 2003 at € 220 billion. The number of stocks sponsored by MWB Wertpapierhandelshaus AG increased significantly compared to 2003 by 813 stocks to a total of 2,463. The current total is around 2,500 stokks.

In April 2004, MWB Wertpapierhandelshaus AG successfully started its proprietary trading activities in Asian stocks, primarily from Thailand and Indonesia. Despite our continued secure position as a specialist, MWB Wertpapierhandelshaus AG's management believes that this division is a trend setter, and already expanded proprietary trading in the fourth quarter to include commodity stocks. This will



Turnover of international shares on all German stock exchanges in Billions of €



Number of international stocks sponsored by MWB form the basis for expanding proprietary trading in interesting stocks worldwide, and will thus make the company more independent of the turnover growth in its order books.

Growth of the Munich Stock Exchange's MAX-ONE market model stagnated. As a result, the management will constantly monitor the cost/benefits ratio of this area, which is regarded as being unsatisfactory due to the high fixed costs.

Institutional Customers

Institutional Sales and Order Execution

The order-execution for banks area only grew at a below average rate during the past fiscal year in line with turnover growth in Germany. In low-turnover periods, banks tend to execute the bulk of their securities orders themselves, and not pass these on to securities trading companies. This development was compensated for by increased efforts in institutional sales. This area was not able to make the desired contribution compared to fiscal year 2003, however, it still improved significantly. In particular the joint-placement of a capital increase by SOLON AG für Solartechnik resulted in commission income totaling EUR 118 thousand. Management believes that institutional sales can still be expanded and that this area is worthy of expansion, and it will continue to pay great attention to its further development.

Designated Sponsoring

We acquired a first mandate for our designated sponsoring activities in fiscal year 2004 with SOLON AG für Solartechnik. Supporting the issuer falls under our institutional customers' activities. This thus forms the foundations for offering services that complement designated sponsoring, such as re-placings, block trading and capital market support, together with the resulting synergies. At the start of 2005 we won two further mandates with IFEX Innovation Finance & Equity Exchange N.V. and Wapme Systems AG.

Private Clients

MWB Baden GmbH

The first full fiscal year for MWB Baden GmbH, in which MWB Wertpapierhandelshaus AG holds a 60 % equity interest, was positive and proved that this regional approach is correct. We were able to increase the assets under management after transferring the remaining customers from MWB Wertpapierhandelsbank GmbH from EUR 13.5 million to EUR 20.4 million, the number of customers increased from 154 to 273. MWB Baden GmbH recorded 27 % of the consolidated total net commission income, EUR 442 thousand.

2. Earnings

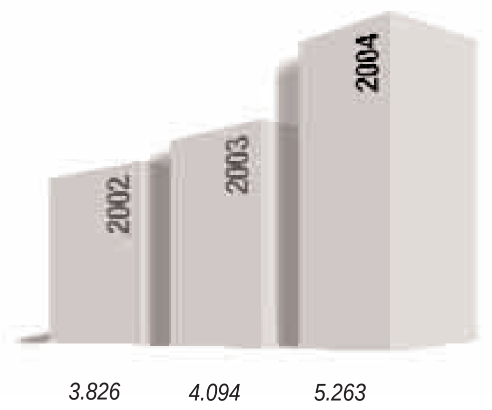
Commission income and trading profits

The first quarter, and in part also the last quarter of 2004 for international stocks, the expansion of our sales activities and a pleasing contribution from MWB Baden GmbH in its first full fiscal year brought about a substantial year-on-year improvement in commission income. This increased by 53 % from EUR 1,086 thousand to EUR 1,656 thousand in 2004. 43 % of commission income stemmed from institutional customers, 30 % from international stocks, and 27 % from retail customers.

The trading profits increased in 2004 by 20 % from EUR 3,008 thousand to EUR 3,607 thousand. The weaker second and third quarters and the general increase in turnover for foreign stocks in Germany played key roles in this development. The bulk of the trading profits were generated from our international stocks activities. Income from the newly commenced proprietary trading activities generated income for the first time in 2004 totaling EUR 514 thousand.

General administrative expenses

Expanding our institutional customers' activities, the start of proprietary trading and an additional member of



Trading and Commission Result in € Millions of MWB Group the Managing Board from August 2004 led to an increase in personnel expenses in 2004 at MWB Wertpapierhandelshaus AG, whereas the discontinuation of business activities at MWB Wertpapierhandelsbank as of December 31, 2003 reduced personnel costs. As a result, in total personnel expenses only increased from EUR 2,539 thousand to EUR 2,565 thousand. The situation will improve significantly during the current year 2005 when the salaries for the two former members of MWB Wertpapierhandelshaus AG's Managing Board cease being paid and after the introduction of performance-oriented remuneration coupled with a 20 % decrease in traders' fixed salaries.

Other administrative expenses increased from EUR 4,526 thousand in 2003 to EUR 5,031 thousand in 2004. The transaction-related costs for setteling securities transactions increased by EUR 540 thousand. In addition, MAX-ONE participation fees totaling EUR 167 thousand were incurred. Provisions include expenses for the allocation of costs to the Bundesanstalt für Finanzdienstleistungsaufsicht (Federal Financial Supervisory Authority) totaling EUR 172 thousand. On the other hand, the company was also successful in cutting costs, for example the costs of securities information systems and for investor relations.

The group's management believes that the cost-cutting activities initiated in the fourth quarter of 2004 at MWB Wertpapierhandelshaus AG will reduce personnel expenses and other administrative expenses in 2004 at best by around 13 % of the costs in 2004.

Provision for risks

During the past fiscal year, group management at MWB Wertpapierhandelshaus AG has constantly kept itself informed of economic developments and the surroundings of XCOM AG, in which the company holds a 12.4 % interest. Financial statements were presented each quarter as were the provisional, un-audited financial statements as of December 31, 2004. Taking the available information into account, the Managing Board of MWB Wertpapierhandelshaus AG has decided that the current carrying amount of the interest sufficiently includes possible risks.

Profits from ordinary activities

Commission income and trading profits were up 29 % in the face of a continued unsettled market. This was contrasted by an 8 % increase in general administrative expenses. It was possible to improve results year-on-year from EUR -2,423 thousand to EUR –1,935 thousand. However it was not possible to reach the forecast balanced result. In spite of this, however, the group's management believes that the trend is generally positive, and it believes that the measures introduced in the company's operations will take effect and that the intended cost cuts will be reached in 2005.

Net loss for the year

Taking into account income taxes totaling EUR 111 thousand, the net loss for the year fell from EUR -2,331 thousand in 2003 to EUR -2,046 thousand in the past fiscal year. Based on the adjusted net loss for 2004, the DVFA earnings per share were unchanged at EUR -0.20.

Unappropriated loss

After additions to retained earnings totaling EUR 134 thousand and taking into consideration a loss carryforward from 2003 totaling EUR 18,673 thousand, the net loss totaled EUR 20,880 thousand.

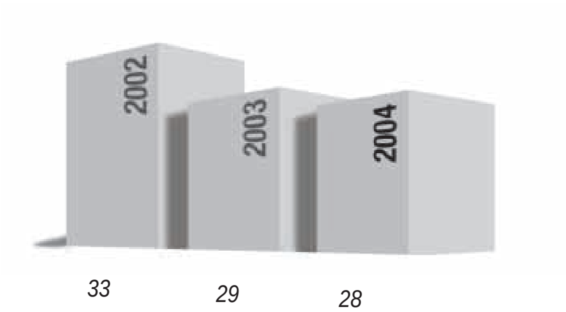
3. Financial position

Total assets

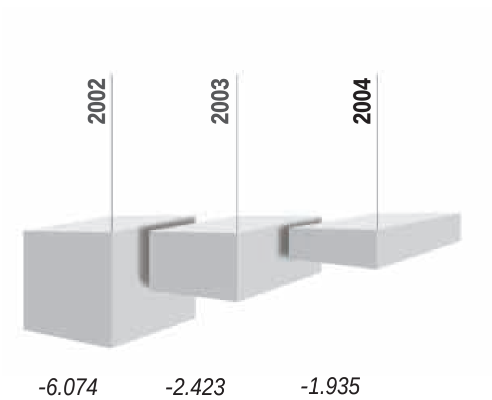
Total assets fell in fiscal year 2004 from EUR 19,778 thousand in the previous year to EUR 18,119 thousand. This drop was mainly the result of the increase in the unappropriated loss.

Liquidity

The group's management defines liquid funds exclusively as the balance



Changes in the number of employees



Profit from ordinary activities in Millions of €

of receivables from and liabilities to banks. Thus the liquid funds fell during the fiscal year by EUR 2,979 thousand to EUR 10,361 thousand as of December 31, 2004 compared to EUR 13,340 as of December 31, 2003. The downturn mostly comprises the net loss for the year and an increase in the stock of securities during the course of 2004. Assets held for dealing purposes increased accordingly by EUR 1,098 thousand. The group's management believes that MWB Wertpapierhandelshaus AG's liquidity position continues to be excellent, and will – as in previous years – attach great importance to ensuring the company's liquidity.

Equity

Equity fell to EUR 15,460 thousand during fiscal year 2004 compared to EUR 17,522 thousand in the previous year. This roughly corresponds to the net loss for the year. The equity ratio on December 31, 2004 totaled 85 %, compared to 89 % in the previous year.

Interest in XCOM AG

MWB Wertpapierhandelshaus AG holds a 12.4 % interest in the financial software company XCOM AG. This company was formed in 1988 and has its registered office in Willich, and is regarded as being one of the leading suppliers for e-business, e-banking and trading support. During the course of 2003, XCOM AG took over the full-service banking activities of E-Trade Bank AG, Deutschland, and renamed this wholly-owned subsidiary as XCOM Bank. The group's management constantly and critically monitored the development of XCOM AG and the XCOM Bank and its industry environment in 2004. The contact with XCOM AG's management was open and trustworthy.

Interest in MWB Baden GmbH

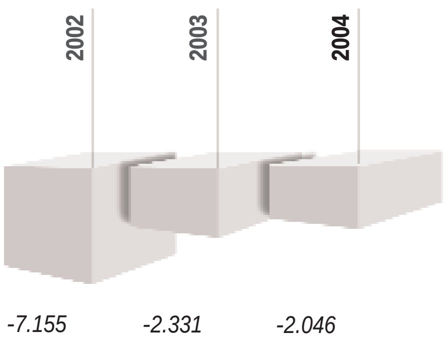
MWB Wertpapierhandelshaus AG acquired its 60 % interest in MWB Baden GmbH from MWB Wertpapierhandelsbank GmbH retroactively as of January 1, 2004 with a book value of EUR 175 thousand. Also as of January 1, 2004, 154 private asset management customers with assets managed totaling EUR 13.5 million were transferred from MWB Wertpapierhandelsbank GmbH to MWB Baden GmbH. MWB Wertpapierhandelsbank GmbH discontinued its business operations as of December 31, 2003.

The group's management receives constant and comprehensive information on business developments at MWB Baden GmbH. Further-reaching decisions regarding the strategic further development of MWB Baden GmbH will be taken together with the two managing directors. Commission income growth at MWB Baden GmbH in 2004 was highly satisfactory from the group management's perspective. The assets under management grew organically and in line with the regional orientation. As of December 31, 2004 MWB Baden GmbH recorded net income for the year of EUR 69 thousand after EUR -14 thousand in the previous year, thus making a positive contribution to group earnings.

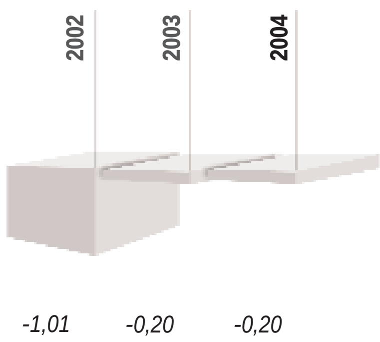
Interest in MWB Wertpapierhandelsbank GmbH

After MWB Wertpapierhandelsbank GmbH discontinued its business operations as of December 31, 2003 and its asset management customers were transferred to MWB Baden GmbH as of January 1, 2004, the first half of the year was characterized by efforts to sell MWB Wertpapierhandelsbank GmbH together with its existing license. As a result, on June 29, 2004 a notarized purchase contract was concluded with an interested buyer, with the condition precedent that the purchase price be paid in full. However, the purchaser has not yet fulfilled the purchase contract, and a ruling has now been issued in injunction proceedings that the purchaser must pay the agreed purchase price. In agreement with the Federal Financial Supervisory Authority, MWB Wertpapierhandelsbank GmbH's license was thus returned in the third quarter of 2004.

The plan to merge MWB Wertpapierhandelsbank GmbH with MWB Wertpapierhandelshaus AG in the event that it should not be sold will initially not be pursued in order to retain the greatest



Net profit/loss in Millions of €



DVFA-Result per share in €

possible flexibility. The GmbH will thus be retained as a wholly-owned subsidiary.

4. Outlook

The assumptions in the following section are all based on the information available to us at the current time. This also applies to the risks included in the risk report.

2004 has shown us that the role of the specialist in Germany will continue to exist even after July 1, 2005 when the transitional regulation according to the 4. Finanzmarktförderungsgesetz (Fourth Financial Markets Development Act) expires. As a result, Frankfurt Stock Exchange thus resolved a changed model for order book distribution for Official Trading and the Regulated Market, effective as of July 1, 2005. According to this model, order book distribution, which will be fixed for a period of 18 months in each case in future, will be linked to the performance of the specialist and his economic abilities. There will initially be no changes for Frankfurt's Unofficial Regulated Market, where the shares supported by MWB Wertpapierhandelshaus AG are listed. However, here too the specialists' performance will be measured, and they will have to implement a limit and control system which guarantees a high level of quality. This means that over the medium term a nearly equal standard of order execution will be created at all key German stock exchanges, and that the quality of order execution will become an increasingly negligible criteria for differentiation. We can then anticipate that the next phase of the competition between the stock exchanges will focus on settlement prices. MWB Wertpapierhandelshaus AG believes that it is well equipped to deal with this situation with its many years of experience in specialist business.

In addition, the changing underlying conditions for specialist business show that it appears to be pertinent for a securities trading company of MWB Wertpapierhandelshaus AG's size to have more than one intact core division. This is why MWB Wertpapierhandelshaus AG's management believes that the two areas of institutional customers and proprietary trading for international stocks are a necessary addition, and offer great prospects. That is why staffing levels were increased in both areas at the start of the new fiscal year and these areas are to be constantly expanded in future in line with their growth and the resulting opportunities for income.

The continued growth at MWB Baden GmbH will continue to receive the group management's positive support. Given the continued pleasing cost/benefits ratio, the group's management believes that there is no reason for a change.

There were no major events after the balance sheet date of December 31, 2004.

5. Risk report

Risk strategy

The company attaches great value to risk management. As a securities trading bank operating throughout Germany, the MWB group is confronted with many risks. Entrepreneurial risks are only consciously entered into if this will increase enterprise value and if the risks remain manageable. The Managing Board regularly informs the Supervisory Board of risks that could have a material impact on business growth.

As part of its value-oriented group management, the company has put in place an end-to-end risk management system to identify risks and to optimize risk positions. The company's risk control is set up such that particular attention is paid to avoiding risks. In the case of unavoidable risks, an assessment is always conducted to ascertain whether our risk policy provisions are sufficient to perceptibly reduce the potential danger. If necessary, further measures are then taken to reduce the risk.

Risk management is controlled centrally for all of MWB Wertpapierhandelshaus AG's branches by Group Financial Control at the company's head offices in Gräfelfing. MWB Baden GmbH is included in risk control, with risks that result directly from customer business being monitored directly by MWB Baden GmbH.

Risk management objectives

The overall risk system set up by the company primarily has the top level target of safeguarding the assets entrusted to the company. Further key objectives are to defer damages for customers and the company, to increase transparency in the company and to fulfill the statutory requirements, in particular the Kreditwesengesetz (German Banking Act), the Wertpapierhandelsgesetz (German Securities Trading Act), and the Aktiengesetz (German Public Limited Companies Act).

Internal Audit

In order to establish efficient internal auditing given the company's relatively small size, the Managing Board of MWB Wertpapierhandelshaus AG decided to outsource its internal auditing to a firm of auditors as early as 2000. The audits primarily focus on the fields of agent business, proprietary trading, liquidity control, accounting, data processing, human resources, reporting, compliance, money laundering, minimum requirements for the conduct of trading activities, risk management and earnings control. Operating processes which are subject to particular risk are audited annually, other operating processes are audited every three years.
Internal auditing at MWB Baden GmbH

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

Risk control

The company's risk manager's tasks include identifying, analyzing and evaluating risks, and in particular sensitizing employees for risk recognition and avoidance. In addition, the risk manager monitors the upholding of major credit limits and the company's internal guidelines for risk avoidance and also constantly further develops methods and systems to manage risk.

Efficient risk control has to depend on a highly developed computer system given the company's large number of transactions. For this purpose, the company uses innovative applications created by XCOM AG – a software company specializing in solutions for financial service providers and banks, and in which MWB holds a participating interest.

In the trading area, the total risk exposure is evaluated daily as part of risk monitoring. During this process, the total calculated risk, comprising market price risk and option risk, is contrasted with the maximum loss threshold set by the Managing Board. The resulting risk level is monitored by the risk manager and the Managing Board receives daily information.

Using XCOM AG, the company calculates risk assets, net equities positions and counterparty default items, liable equity and allocable equity on a daily basis, together with the resulting Principle I equity ratio and the Principle I overall ratio. Any amounts in excess of the major credit limits are also monitored several times daily, as are the total and individual items from open transactions and the associated unrealized profits and losses. In addition, monthly in-depth evaluations of market risk items and foreign currency risk are prepared in line with Principle I. Finally, the liquidity status is prepared daily by adding the available funds and the monthly calculation of the liquidity ratio from Principle II.

As part of the management-related monitoring, the Managing Board also checks 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 opinion on the general growth, select P&L items and the liquidity situation once a month. The report is circulated among the board members and is presented to the members of the Supervisory Board for their information.

In addition, the company attaches great value to learning of changes to the stock-market environment, investor behavior and the statutory framework as early as possible. The company participates in Germany's key investor fairs several times a year. This not only allows MWB to generate important contacts, but also to acquire key information on the investors' mood and any change of investor behavior.

Presentation of individual risks

Individual risks are constantly monitored and reviewed at regular intervals. In addition, the risk management system is constantly further developed. The company attaches particular value to including the company's individual employees, who are asked to communicate any recognizable risks to the risk manager.

The following risks have been identified for the company to date:

- General risks
- Counterparty default risks
- Market price risks
- Liquidity risks
- Legal risks
- Personnel risks
- Other operating risks

General risks

The company is aware of the danger that electronic equities trading will become dominant at the expense of the specialist system. However, we are confident that specialists cannot be completely forced off the markets by electronic trading systems. The company believes that the future is much rather to be found in a combination of electronic processing and specialists who set the prices. The MAX-ONE trading system, which has been successfully established at the Munich Stock Exchange for the past two years, works on this basis. MWB Wertpapierhandelshaus AG played a key role in designing and setting up this system.

The company counters the danger of a division breaking away, or of customers migrating by spreading its business over several mutually independent areas, and by its constant efforts to increase the number of customers.

Counterparty default risks

We understand counterparty default risks to be the possible loss of value that could arise if the counterparty defaults or if their creditworthiness falls.
MWB Wertpapierhandelshaus AG has German and foreign trading partners. Counterparty default risk only plays a minor role for stock market transactions with German trading partners who are registered with the stock exchange. For foreign trading partners, counterparty limits are set per trading day depending on their size and market valuation as well as the frequency of their transactions. Information on foreign counterparties' economic performance is obtained regularly.

Market price risks

The market price risk is the potential loss that could result due to prices for our positions changing on the financial markets.

The company's trading positions receive IT support, are subject to a current daily valuation as well as constant valuation at average prices, and are also continuously compared with market prices on a standardized basis.

The amount of the open positions is limited by open position limits. These open position limits result from the guarantee deposited with the respective stock exchange. In addition, the open position limits are limited by the requirements of the Kreditwesengesetz (German Banking Act) and the work instructions for securities traders. The company also reduces its market price risk by spreading the positions it has entered into over various countries and markets.

In addition, both the Managing Board member responsible for trading and the Managing Board member who is independent of trading activities are informed at least twice per day of the largest opne positions and unrealized profits and losses from these transactions and of the existing option transactions.

Liquidity risks

The primary goal of our liquidity management is to ensure that the company can make payment at any time. We have assigned the management of our daily liquidity levels to an experienced employee, who reports directly to the responsible board member.

The company is aware of the risk of a continued reduction in liquidity in an ongoing weak market environment. Despite the negative results of the past fiscal year, the company still has excellent liquidity. Consistent implementation of broad-scale, cost-cutting programs in fiscal year 2005 will reduce this risk in future.

Legal risks

The legal risks include dangers which could result from our large number of trading transactions and from violations of statutory and internal regulations by employees.

- Trading transactions

Most of the company's trades are concluded verbally, in line with standard stock-market practice. As a result, all dealers' telephone calls are recorded. To safeguard against general and sector-specific risks, the company has concluded an insurance policy for damage to trust and a liability insurance policy for pecuniary loss in addition to its existing Directors and Officers Liability policy. MWB Baden GmbH is also covered by these policies.

In MWB Baden GmbH's Asset Management and Investment Consulting divisions, customer information is obtained in line with section 31 of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act), and customers are provided with in-depth information on their risks. In the Asset Management division, the risk profile, investment guidelines and limits are defined and documented together with the customer.

- Statutory regulations

MWB Wertpapierhandelshaus AG is subject to comprehensive reporting requirements and other statutory regulations, in particular from the Handelsgesetzbuch (German Commercial Code), the Börsengesetz (German Stock Market Act), the Wertpapierhandelsgesetz (German Securities Trading Act) and the Kreditwesengesetz (German Banking Act). In addition to regular reports, a large number of business events must be reported and other legal requirements must be fulfilled. Severe fines may be imposed if these reporting requirements are not upheld.

These statutory regulations are monitored by the respective employees using a reporting schedule, which is constantly updated.

Personnel risks

Personnel risks include all risks which result from deploying and hiring employees.

The company selects employees carefully during the hiring process, and pays attention to ensure that other employees can easily assume the responsibilities of their colleagues during vacation, periods of illness or in the event of an employee leaving the company. The company has an organizational manual, which includes information on the work to be performed by the individual positions, and detailed descriptions of the key business processes as well as the compliance concept.

Any wrongdoing by employees in the trading area is covered by insurance policies. The company has drawn up rules for employee trading and avoids conflicts between the interest of the employees, the bank and the customers by corresponding provisions in its employment contracts.

The agreement of a suitable remuneration model will reduce the risk of frequent changes to staff.

Other operating risks

The other operating risks include factors which affect our business operations which are outside our control.

The company has prepared an emergency plan to deal with other operating risks – all employees are aware of this plan. It details the measures to be taken in the event of a power cut, IT systems going down, system bottlenecks and defects, and the telephone system failing.

The company combats the risks from the loss of data using a refined system of daily, weekly and monthly data bakkups, some of which are stored outside the company's offices.

The company has a fire-proof safe and a fire-proof cabinet to store daily IT backups and personnel files. The company has concluded fire insurance to reduce the risks that could result from a fire in the company's offices.

The risk of damage to IT equipment from a power cut or lightening strike is covered by an electronics insurance policy.

When selecting a company to support our computer system, we selected a company which can be on location at the shortest possible notice in the event of a defect – even at night and on weekends. The system administrator has also been issued with an alarm device, which automatically reports serious problems in the computer center (flooding, heat, smoke).

The company mandated has prepared comprehensive documentation for our entire IT systems, which means that if necessary third parties can quickly obtain information on our IT equipment. This documentation has already been checked by an external IT specialist during an internal audit.

The computer systems have an emergency power supply as a back-up during any power cut. A backup system is in place to catch any drops in performance.

Graefelfing, March 2005
The Managing Board

Consolidated Balance Sheet in accordance with International Financial Reporting Standards

as of December 31, 2004

Assets

	Notes	2004 TEUR	2003 TEUR	Changes in TEUR	Changes in %
Receivables from banks	(5); (6); (25)	10,551	13,467	-2,916	-21.7
Assets held for dealing purposes	(7); (26)	1,990	892	1,098	123.1
Financial assets	(8); (27)	2,436	2,436	0	0.0
Property, plant and equipment	(10); (29)	382	384	-2	-0.5
Intangible assets	(28)	254	260	-6	-2.3
Deferred tax assets	(14)	1,277	1,273	4	0,3
Other assets	(30)	1,229	1,066	163	15.3
Total assets		**18,119**	**19,778**	**-1,659**	**-8.4**

Liabilities and equity

	Notes	2004 TEUR	2003 TEUR	Changes in TEUR	Changes in %
Liabilities to banks	(5); (11); (31)	190	127	63	49.6
Liabilities from dealing activities	(12); (32)	11	14	-3	-21.4
Provisions	(13); (33)	807	736	71	9.6
Deferred tax liabilities	(14)	207	155	52	33.5
Other liabilities	(15)	1,342	1,150	192	16.7
Minority interest		102	74	28	37.8
Equity	(35)	15,460	17,522	-2,062	-11.8
Subscribed capital		4,983	4,983	0	0.0
Capital reserves		24,825	24,825	0	0.0
Retained earnings		8,885	8,751	134	1.5
Revaluation surplus		0	0	0	0.0
Depreciation of own shares	(36)	-2,353	-2,364	11	0.5
Consolidated loss		20,880	18,673	2,207	-11.8
Total liabilities and equity		**18,119**	**19,778**	**-1,659**	**-8.4**

Consolidated Profit and Loss Account in accordance with International Financial Reporting Standards

for the period from January 1 to December 31, 2004

	Notes	2004 TEUR	2003 TEUR	Changes in TEUR	Changes in %
Interest income	(16)	326	406	-80	-19.7
Interest expenses	(16)	-2	-5	3	60.0
Net interest income	(16)	**324**	**401**	**-77**	**-19.2**
Commission income	(17)	2,352	1,374	978	71,2
Commission expenses	(17)	-696	-288	-408	141.7
Net commission income	(17)	**1,656**	**1,086**	**570**	**52.5**
Trading Income	(18)	7,236	5,940	1,296	21.8
Trading Expenses	(18)	-3,629	-2,932	-697	23.8
Trading Profit	(18)	**3,607**	**3,008**	**599**	**19.9**
Net Income from financial assets	(8); (27)	**0**	**18**	**-18**	**100.0**
Administrative expenses	(20)	-7,596	-7,065	-531	-7.5
Balance of other income/expenses	(21)	74	129	-55	-42.6
Profit from ordinary activities		**-1,935**	**-2,423**	**488**	**20.1**
Income taxes on the profit from ordinary activities	(14); (22)	-111	92	-203	220.7
Net loss	(22)	**2,046**	**2,331**	**285**	**12.2**
Minority interest of net loss		-27	6	-33	-550.0
Net loss without minority interest		**2,073**	**2,325**	**252**	**10.8**
Loss carried forward from previous year		18,673	16,212	2,461	15.2
Loss carried forward for MWB Baden GmbH		0	3	-3	-100.0
Addition to/withdrawal from retained earnings		134	133	1	0.8
Consolidated loss		**20,880**	**18,673**	**2,207**	**11.8**
Earnings per share					
Diluted earnings per share	(24)	-0.42	-0.48		12.5
Basic earnings per share	(24)	-0.42	-0.48		12.5

Statement of Changes in Equity

for the period from January 1 to December 31, 2004

	Notes	2004	2003
	(35); (36)	TEUR	TEUR
Equity as of January 1		**17,522**	**19,736**
Subscribed capital			
Balance as of January 1		4,983	4,983
Balance as of December 31		4,983	4,983
Capital reserves			
Balance as of January 1		24,825	24,825
Balance as of December 31		24,825	24,825
Retained earnings			
Balance as of January 1		8,751	8,618
Addition to/withdrawal from retained earnings		134	133
Balance as of December 31		8,885	8,751
Revaluation surplus			
Balance as of January 1		0	-53
Change		0	53
Balance as of December 31		0	0
Own shares			
Balance as of January 1		-2,364	-2,425
Change		11	61
Balance as of December 31		-2,353	-2,364
Consolidated loss			
Balance as of January 1		18,673	16,212
Loss carryforward MWB Baden GmbH		0	3
Net loss		2,073	2,325
Withdrawal from/addition to reatined earnings		134	133
Balance as of December 31		20,880	18,673
Equity as of December 31		**15,460**	**17,522**

Consolidated Cash Flow

for the period from January 1 to December 31, 2004

	Year TEUR	Prev. year TEUR
Consolidated loss	-2,073	-2,325
Adjustments to the reconciliation of the consolidated net loss to the cash flow from operating activities		
Depreciation, write-downs and write-ups on receivables		
Intangible assets, property, plant and equipment and financial assets	222	427
Changes in long-term provisions	71	59
Loss from the disposal of financial assets	0	35
Minority interest	28	-6
Other adjustments (balance)	-191	-434
	-1,943	-2,244
Change in assets and liabilities from ordinary activities		
Change in customer receivables	27	-16
Change in trading position	-1,101	-359
Change in other assets from operating activities	-194	671
Change in other liabilities from operating activities	244	-21
Received interest and dividends	238	297
Interest paid	-2	-5
Income taxes received	-26	0
Cash flow from operating activities	-2,757	-1,677
Proceeds from disposal of financial assets	0	223
Investments in property, plant and equipment	-211	-194
Investments in financial assets	0	0
Change in cash flow from other investing activities	0	53
Cash flow from investing activities	-211	82
Net change in purchases and sales of own shares	-11	102
Dividends paid	0	0
Cash flow from financing activities	-11	102
Change in cash and cash equivalents	-2,979	-1,493
Cash and cash equivalents - at beginning of the period	9,590	11,083
Cash flow from operating activities	-2,757	-1,677
Cash flow from investing activities	-211	82
Cash flow from financing activities	-11	102
Cash and cash equivalents – at end of the period	6,611	9,590

The deposit investments deposited as collateral for default guarantees and other collateral for securities settlement totaling EUR 3,750 thousand (note 44) are not considered to be liquid funds when calculating the cash and cash equivalents. The figures from the previous year have been adjusted accordingly.

Notes to the consolidated financial statements

Exempting consolidated financial statements (IFRS)

The MWB Group has reconciled its consolidated financial statements in line with International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) in order to provide its shareholders and all other interested parties with a comparable basis for the evaluation of the MWB group and its financial position.

The consolidated financial statements of the MWB Group as of December 31, 2004 correspond to currently applicable IFRSs and were prepared as exempting consolidated financial statements within the meaning of section 292a of the Handelsgesetzbuch (HGB – German Commercial Code). They are in line with the applicable EU directives and are as meaningful as HGB financial statements.

In contrast to the EU directive, IFRSs only prescribe specific minimum disclosures for the classification of the balance sheet and profit and loss account. In order to attain the required harmony with the EU directives, we have included the balance sheet and P&L items to be disclosed according to the bank accounting directive in the notes to the IFRS consolidated financial statements. As a result, we have made the disclosures in the notes required by EU law insofar as these were not already prescribed by IFRSs.

The company's Managing and Supervisory Boards have issued the declaration of conformity in line with section 161 of the Aktiengesetz (AktG – German Public Limited Companies Act) on the recommendations of the "Government Commission German Corporate Governance Code" and published this on the company's Internet site in December 2004.

We do not yet use all of the IASs reworked as part of the improvement project as well as the new IFRSs 2, 3, 4 and 5 in these financial statements.

The provisions of the following IASs and SICs were taken into account during the reconciliation of the consolidated financial statements to International Financial Reporting Standards (IFRS):

Index	Description	Used from	Associated SIC / IAS
IAS 1 (revised 1997)	Presentation of Financial Statements	7/1/98	SIC-8 SIC-18
IAS 7 (revised 1992)	Cash Flow Statements	1/1/94	
IAS 10 (revised 1999)	Events after the balance sheet date	1/1/00	
IAS 12 (revised 2000)	Income taxes	1/1/98	SIC-21 SIC-25
IAS 14 (revised 1997)	Segment reporting	7/1/98	
IAS 16 (revised 1998)	Property, plant and equipment	7/1/99	SIC-14 SIC-23
IAS 18 (revised 1993)	Revenue	1/1/95	
IAS 19 (revised 2002)	Employee benefits	1/1/99	
IAS 22 (revised 1998)	Business combinations	1/1/98	SIC-9 SIC-22
IAS 24 (reformatted 1994)	Related Party Disclosures	1/1/86	
IAS 26 (reformatted 1994)	Accounting and Reporting by Retirement Benefit Plans	1/1/88	
IAS 27 (revised 2000)	Consolidated Financial Statements and Accounting for Investments in Subsidiaries	1/1/90	SIC-12
IAS 30 (reformatted 1994)	Disclosures in Financial Statements of Banks and Similar Financial Institutions	1/1/91	
IAS 32 (revised 1998)	Financial instruments: disclosure and presentation	1/1/96	SIC-5 SIC-16 SIC-17
IAS 33 (1997)	Earnings per share	1/19/98	SIC-24
IAS 36 (1998)	Impairment of Assets	7/1/99	
IAS 37 (1998)	Provisions, Contingent Liabilities and Contingent Assets	7/1/99	
IAS 38 (1998)	Intangible assets	7/1/99	
IAS 39 (revised 2000)	Financial instruments: recognition and measurement	7/1/01	SIC-33

Index	Description	Used from	Associated SIC / IAS
SIC-1	Consistency – Different Cost Formulas for Inventories	1/1/1999	IAS 2
SIC-5	Classification of Financial Instruments – Contingent Settlement Provisions	6/1/1998	IAS 32
SIC-8	First-Time Application of IASs as the Primary Basis of Accounting	8/1/1998	IAS 1
SIC-9	Business Combinations – Classification either as Acquisition or Uniting of Interests	8/1/1998	IAS 22
SIC-16	Share Capital – Reacquired Own Equity Instruments (Own Shares)	7/1/1999	IAS 32
SIC-17	Equity – Costs of an Equity Transaction	1/30/2000	IAS 32
SIC-18	Consistency – Alternative Methods	7/1/2000	IAS 1
SIC-21	Income Taxes – Recovery of Revalued Non-Depreciable Assets	7/15/2000	IAS 12
SIC-22	Business Combinations – Subsequent Adjustment of Fair Values and Goodwill Initially Reported	7/15/2000	IAS 22
SIC-23	Property, Plant and Equipment – Major Inspection or Overhaul Costs	7/15/2000	IAS 16
SIC-24	Earnings Per Share – Financial Instruments and Other Contracts that may be settled in Shares	12/1/2000	IAS 33
SIC-25	Income Taxes – Changes in the Tax Status of an Enterprise or its Shareholders	7/15/2000	IAS 12

The consolidated financial statements of the MWB Group comprise the balance sheet, profit and loss account, statement of changes in shareholders' equity, statement of cash flows, accounting methods and notes as well as segment reporting. These were initially prepared in line with section 292a of the Handelsgesetzbuch (HGB – German Commercial Code) with exempting effect as of December 31, 2002. The group management report fulfills the requirements of section 315 (1) and (2) of the HGB as well as the requirements placed on a financial review by IAS 1 (revised 1997). Exemption under section 292a of the HGB requires that the material differences to IFRS accounting, valuation and consolidation methods are shown in comparison to the German accounting standards.
The differences are detailed below.

Notes to the reconciliation: Differences between IFRS and HGB in the accounting and valuation methods used in the consolidated financial statements

The framework of the International Financial Reporting Standards, which have been prepared and agreed by the International Accounting Standards Board, a global association of auditors and business representatives, are based on the principles of fair presentation and a true and fair view. The aim is to provide the recipient (generally creditors for equity and/or lending) with the relevant information on the financial position during the previous reporting period that is needed to make decisions.

German accounting is characterized by the principle of prudence. It is primarily based on the provisions of the third book of the German Commercial Code (sections 290ff of the HGB) and the sixth section on the Verordnung über die Rechnungslegung der Kreditinstitute (section 37 of the RechKredV – German Accounting Regulations for Banks) and the principles of proper accounting.

The primary differences between German accounting standards and IFRS accounting are to be found in the classification of the financial statements, the accounting and valuation of assets and liabilities. Examples of these differences are shown below:

Valuation of trading activities at market values

According to section 340c (1) of the HGB in connection with section 252 (1) no. 4 of the HGB, no unrealized income may be disclosed as income from financial transactions.

The company's trading activities are shown at their fair value on the balance sheet prepared according to IFRS.

Fair values are calculated on the balance sheet date based on the market information available.

In contrast to German accounting standards, this means that all of the reserves included in the trading activities are recognized in income.

Prohibition on write-downs that do not correspond to actual value reductions

Whereas HGB write-downs are partially determined by tax regulations, IAS 16 stipulates that these write-downs should reflect actual reductions in value.

Non-scheduled depreciations and carrying amounts allowed under tax law are not included in the IFRS statements.

Provisions and deferred liabilities

In principle, IFRS only allows provisions to be formed for external liabilities. In contrast, section 294 of the HGB provides instructions and options to apply provisions for expenses.

In contrast to the HGB, IAS 37 differentiates between provisions and deferred liabilities. In the case of deferred liabilities, the insecurity surrounding the timing or the amount of the outlay that will be required in future is generally significantly lower than for provisions. This mostly relates to liabilities from outstanding invoices, for example the cost of preparing the annual financial statements.

Consideration of future developments in calculating pension commitments

In contrast to more static calculation methods according to German law, IAS 19 (revised 2002) prescribes a dynamic valuation of future economic and demographic developments when calculating provisions for pensions. This means that the commitments entered into by the company preparing the accounts are taken into reasonable account.

Recognition of deferred tax assets and liabilities

Deferred taxes are calculated using the temporary concept, which compares the differences between the carrying amounts of assets and liabilities according to IFRSs and the corresponding tax values (accounting-oriented approach). Differences between these carrying amounts lead to temporary differences in value if they balance each other out in subsequent fiscal years. Irrespective of the time that these balance each other out, the tax differences resulting from the different carrying amounts are reflected in income and disclosed as a deferred tax asset or liability.

As the temporary concept is based on disclosing future actual tax claims or liabilities, calculations use the tax rates to be used in future on the date at which the difference is expected to be balanced out. Current tax rates are used to calculate deferred taxation.

Disclosure of own shares

IFRS requires own shares to be deducted from equity in line with SIC 16.

Accounting in line with the German accounting provisions in section 272 (4) in connection with 266 (2) B III no. 2 of the HGB is not permissible.

Accounting and valuation methods

(1) Uniform group accounting

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.

(2) Group of consolidated companies

The consolidated financial statements as of December 31, 2004 include MWB Wertpapierhandelshaus AG as the parent company and the wholly-owned subsidiary MWB Wertpapierhandelsbank GmbH, Graefelfing as well as its 60 % subsidiary MWB Baden GmbH, Offenburg.

The interest in MWB Baden GmbH, Offenburg, was sold during the fiscal year from MWB Wertpapierhandelsbank GmbH to MWB Wertpapierhandelshaus AG.

(3) Consistency

We consistently apply accounting, valuation and disclosure methods in line with the IFRS framework concept.

(4) Principles of consolidation

We apply the benchmark method for capital consolidation.

We offset the acquisition costs of an affiliated company with the proportionate group equity on the date of the acquisition. The assets and liabilities of the acquired company are measured at their proportionate fair value. We disclose any remaining difference as goodwill on the balance sheet under intangible assets. This is subject to straight-line amortization over its useful economic life.

Business relationships within the group of consolidated companies are eliminated. As a rule, intra-group interim earnings are eliminated, insofar as these are not of minor importance.

(5) Cash and cash equivalents

The cash and cash equivalents comprises receivables from banks with a residual term of less than three months and liabilities to banks that are due on demand. Cash and cash equivalents are carried at their face value.

(6) Receivables from banks

Receivables from banks include overnight deposit investments as well as receivables from dividends and commission.

Receivables from banks are shown at their face value insofar as there is no permanent impairment. Interest income from these receivables is capitalized with the receivables.

(7) Assets held for dealing purposes

The assets held for dealing purposes include trading securities and the changes in market value of open (long) positions. Assets held for dealing purposes are accounted for on the settlement date. All assets held for dealing purposes are carried on the balance sheet at their fair value. Changes to the present value of the assets held for dealing purposes between the trading day and the settlement date are disclosed in the earnings for the period. Assets held for dealing purposes were not netted with liabilities from dealing activities.

(8) Financial assets

This item exclusively includes available-for-sale financial instruments, which are accounted for on their settlement date. The available for sale stock is carried on the balance sheet at its fair value. Changes to the fair value are included in the revaluation reserve and are not reflected in income. Financial investments in an equity instrument which does not have a market price listed on an active market are carried at their acquisition costs, insofar as no reasonable estimate of the fair value is possible.

(9) Intangible assets

Goodwill and software are carried under intangible assets. Software has been reallocated to the intangible assets item; figures from the previous year have been adjusted.

Intangible assets are carried at their acquisition costs, less scheduled amortization.

The acquisition costs of intangible assets are calculated in line with IAS 38.22.

The subsequent valuation is at amortized cost. We calculate scheduled amortization on a pro rata basis using the straight line method, as this reflects the consumption of the economic benefit of the asset. The amortization period for intangible assets is in line with its useful life in the company, which may be shorter than its economic life. We periodically review the amortization method and the useful life for intangible assets and make modifications as necessary.

Assets are subject to non-scheduled amortization/depreciation as prescribed by IAS 36.58 in the event of permanent impairment. If the reasons for the non-scheduled amortization/depreciation no longer exist, the asset is written back to a maximum of the net acquisition costs.

Amortization/depreciation is shown under general administrative expenses.

Intangible assets	Economic useful life
Software, licenses	3.8 years
Goodwill	10 years

(10) Property, plant and equipment

Property, plant and equipment is carried at acquisition cost, less scheduled depreciation.

The acquisition costs of property, plant and equipment are calculated in line with IAS 16.15. Subsequent acquisition costs arising in arrears for property, plant and equipment are capitalized, insofar as these result in an additional economic benefit for the company.

The subsequent valuation is at amortized cost. We calculate scheduled depreciation using the straight line method, as this reflects the consumption of the economic benefit of the asset. The depreciation period for property, plant and equipment is in line with its useful life in the company, which may be shorter than its economic life. In determining the useful life of an asset, the physical life, technical progress and contractual and statutory restrictions are taken into account. We periodically review the depreciation method and the useful life for property, plant and equipment and make modifications as necessary.

Assets are subject to non-scheduled amortization/depreciation as prescribed by IAS 36.58 in the event of permanent impairment. If the reasons for the non-scheduled amortization/depreciation no longer exist, the asset is written back to a maximum of the net acquisition costs.

Amortization/depreciation is shown under general administrative expenses.

Property, plant and equipment	Economic useful life
Office fittings	10, 13 years
Fittings in rented buildings	5 years
IT equipment (in the widest sense)	4, 8 years
Other equipment, operating and office equipment	4 years

(11) Liabilities to banks

Liabilities to banks comprise current accounts and liabilities from dividends, processing fees and commission. All liabilities are carried at their nominal amounts.

(12) Liabilities from dealing activities

Liabilities from dealing activities are accounted for on the settlement date. Liabilities from dealing activities depict changes in the market value of open items (short positions). Changes to the present value of the liabilities from dealing activities between the trading day and the settlement date are disclosed in the earnings for the period.

Assets held for dealing purposes were not netted with liabilities from dealing activities.

(13) Provisions

The provisions exclusively disclose provisions for pensions and similar commitments that are formed according to the projected unit credit method in line with actuarial principles.

(14) Deferred Taxes

The formation of deferred taxes aims to disclose the tax expense based on the IFRS earnings on an accrual basis.

Deferred taxes are calculated using the temporary concept, which compares the differences between the carrying amounts of assets and liabilities according to IFRSs and the corresponding tax values (accounting-oriented approach). Differences between these carrying amounts lead to temporary differences in value if they balance each other out in subsequent fiscal years. Irrespective of the time that these balance each other out, the tax differences resulting from the different carrying amounts are reflected in income and disclosed as a deferred tax asset or liability.

As the temporary concept is based on disclosing future actual tax claims or liabilities, calculations use the tax rates to be used in future on the date at which the difference is expected to be balanced out. Current tax rates are used to calculate deferred taxation.

The disclosed deferred tax assets concern the loss carried forward totaling EUR 1,250 thousand and the result from temporary differences for trading liabilities totaling EUR 27 thousand.

(15) Other Liabilities

Liabilities from outstanding balances are disclosed under other liabilities.

We also use other liabilities to disclose short-term liabilities to employees from vacation entitlement.

Notes on the Profit and Loss Account

(16) Net interest income

	2004 TEUR	2003 TEUR
Interest income	**326**	**406**
Loans and money market transactions	326	406
Interest expenses	-2	-5
Total	**324**	**401**

(17) Net commission income

	2004 TEUR	2003 TEUR
Commission income	**2,352**	**1,374**
thereof: Brokerage income	999	885
Other commission income	1,353	489
Commission expense	**-696**	**-288**
thereof: Brokerage expense	-199	-122
Other commission expense	-497	-166
Total	**1,656**	**1,086**

The brokerage income and expense results from brokerage for investments and contracts. The other commission income was mostly recorded by Asset Management totaling EUR 491 thousand (previous year: EUR 293 thousand) and from the placement of shares totaling EUR 253 thousand (previous year: EUR 0 thousand) and from transactions with institutional customers totaling EUR 609 thousand (previous year: EUR 184 thousand). Commission expenses from transactions with institutional customers totaled EUR 307 thousand (previous year: EUR 93 thousand), placement commission totaled EUR 135 thousand (previous year EUR 0 thousand) and commission for Asset Management totaled EUR 49 thousand (previous year: EUR 0 thousand). The other commission expenses include guarantee commission.

(18) Trading Profit

	2004 TEUR	2003 TEUR
Income from finance transactions	**7,236**	**5,940**
from securities*	371	171
from price differences in open transactions	6,865	5,769
Expenses from finance transactions	**-3,629**	**-2,932**
from securities	-520	-215
from price differences in open transactions	-3,109	-2,717
Total	**3,607**	**3,008**
* including dividend income and commission allocable to trading activities:	24	23

According to the resolution on the interpretation of SIC-16 by the Standing Interpretation Board, the profits realized from trading treasury shares is not included in the income statement. The corresponding results are taken into account as a separate equity item.

(19) Income from financial assets

	2004 TEUR	2003 TEUR
Profits from financial assets	0	53
Write-downs on financial assets	0	-35
Total	**0**	**-18**

The income from financial assets includes the financial instruments classified as available for sale. In the previous year, profit from financial assets exclusively included dividends from XCOM AG. Write-downs on financial assets include the loss realized from the sale of available for sale securities.

(20) Administrative expenses

	2004 TEUR	2003 TEUR
Personnel expenses	**-2,565**	**-2,539**
Wages and salaries	-2,253	-2,207
Social security contributions	-241	-273
Pension costs	-71	-59
Other administrative expenses	**-5,031**	**-4,526**
Thereof depreciation and amortization		
for intangible assets	-78	-132
for goodwill	-6	-2
for operating and office equipment	-130	-184
Total	**-7,596**	**-7,065**

The amortization of goodwill during the year under review totaling EUR 6 thousand (previous year: EUR 2 thousand) is due to goodwill for MWB Baden GmbH, which was consolidated for the first time in August 2003.

(21) Balance of other income/expenses from ordinary activities

	2004 TEUR	2003 TEUR
Other income		
Other income from ordinary activities	89	146
Other expenses		
Other expenses from ordinary activities	-15	-17
Total	**74**	**129**

Other income and expenses from ordinary activities mostly comprises income from the reversal of provisions totaling EUR 37 thousand (previous year: EUR 84 thousand) as well as income from capital market support services totaling EUR 29 thousand (previous year: EUR 0 thousand) and income from a support agreement as part of our activities as a designated sponsor totaling EUR 21 thousand (previous year: EUR 0 thousand). Losses from receivables totaled EUR 15 thousand (previous year: EUR 17 thousand).

(22) Income taxes on the result from ordinary activities

	2004 TEUR	2003 TEUR
Actual taxes	-40	0
Deferred taxes	-71	92
Total	**-111**	**92**

The actual taxes are calculated based on the taxable earnings during the fiscal year. Taking corporation tax, the solidarity surcharge and trade income tax into account, the total tax burden for fiscal year 2004 totals 38.65 % (previous year: 38.65 %).

Deferred taxation resulted from changes to deferred tax assets and liabilities as a result of temporary differences in value totaling EUR 71 thousand (previous year: EUR 92 thousand).

The following table shows the relationship between the income taxes derived from the pre-tax earnings and the income taxes for fiscal year 2004 disclosed in the profit and loss account (reconciliation statement). The derived income taxes are based on the domestic tax rate of 38.65 %.

	2004 TEUR	2003 TEUR
Anticipated taxation	748	936
Other off-balance sheet differences	-12	-13
Revaluations without deferred taxation	21	194
Tax from previous year (from profit and loss account)	-7	0
Non-capitalized losses from current year	-861	-1,025
Disclosed income taxes	**-111**	**92**

(23) Net loss

The net loss totaling EUR 2,046 thousand will be corrected for minority interests in the net loss (EUR 27 thousand). Taking into account the loss carried forwards from the previous year (EUR 18,673 thousand) and its addition to the revenue reserves (EUR 134 thousand) results in a consolidated loss totaling EUR 20,880 thousand.

(24) Key figures for earnings per share

To calculate the basic earnings per share, the net income for the year after tax is divided by the average number of ordinary shares in circulation during the period. Treasury shares held are deducted from the average number of shares in circulation to the exact day. The following table shows the key indicators and the calculation components on which they are based:

	2004	2003
Net income for the year in EUR thousand	-2,073	-2,325
Average number of shares in circulation	4,902,315	4,819,079
Number of shares including increases that resulted or could result from subscription rights granted	0	0
Diluted earnings per share (with amortization of goodwill)	-0.42	-0.48
Basic earnings per share (with amortization of goodwill)	-0.42	-0.48

Notes to the balance sheet

(25) Receivables from banks

German banks	**2004**	**2003**
	TEUR	**TEUR**
Demand receivables from banks	6,651	9,454
Other receivables from banks	3,900	4,013
Receivables from banks	**10,551**	**13,467**

(26) Assets held for dealing purposes

	2004	**2003**
	TEUR	**TEUR**
Equities and other variable income securities		
Equities	1,438	400
Other	552	492
Thereof: marketable securities	1,475	409
thereof: listed securities	1,438	400
Total	**1,990**	**892**

The redemption prices for listed securities were taken from the Bundesverband Deutscher Banken for valuation purposes. The two non-listed securities were valued at the price provided by the investment companies on the last day of trading.

(27) Financial assets

	2004	**2003**
	TEUR	**TEUR**
Equities and other variable income securities		
Equities	2,436	2,436
Thereof: marketable securities	2,436	2,436
thereof: listed securities	0	0
Total	**2,436**	**2,436**

The following table shows the growth of the financial assets:

Financial assets	TEUR
Acquisition/historical cost	
As of January 1, 2004	10,484
As of December 31, 2004	10,484
Amortization/depreciation	
As of January 1, 2004	-8,048
As of December 31, 2004	-8,048
Book values	
As of January 31, 2004	2,436
As of December 31, 2004	2,436

(28) Intangible assets

	TEUR
Acquisition/historical cost	
As of January 1, 2004	429
Additions	78
Disposals	-14
As of December 31, 2004	493
Amortizationn	
As of January 1, 2004	-169
Current amortization/depreciation	-84
Disposals	14
As of December 31, 2004	-239
Book values	
As of December 31, 2003	260
As of December 31, 2004	254

In 2003 intangible assets were carried under property, plant and equipment.

The intangible assets item includes goodwill totaling EUR 49 thousand (previous year: EUR 54 thousand). In 2003 goodwill was carried under other assets.

No non-scheduled amortization was necessary in fiscal year 2004.

Amortization of intangible assets is disclosed under other administrative expenses.

(29) Property, plant and equipment

	Office furniture and equipment TEUR
Acquisition/historical cost	
As of January 1, 2004	1,403
Additions	211
Disposals	-445
As of December 31, 2004	1,169
Amortization/depreciation	
As of January 1, 2004	-1,019
Current depreciation	-130
Disposals	362
As of December 31, 2004	-787
Book values	
As of December 31, 2003	384
As of December 31, 2004	382

No non-scheduled amortization/ depreciation was necessary in fiscal year 2004.

Depreciation of property, plant and equipment is disclosed under other administrative expenses.

(30) Other assets

	2004 TEUR	2003 TEUR
Other assets		
Tax overpayments	36	63
Claims from reinsurance	950	839
Commission receivables	74	19
Other assets	169	145
Total	**1,229**	**1,066**

Other assets include prepaid expenses, deposits and receivables from staff.

	2004 TEUR	2003 TEUR
Deferred tax assets	**1,277**	**1,273**

(31) Liabilities to Banks

German banks	2004 TEUR	2003 TEUR
Liabilities to banks	**190**	**127**

There were no liabilities in foreign currency and liabilities to foreign parties on the balance sheet date.

(32) Liabilities from dealing activities

The liabilities from dealing activities comprise the positions still open from open transactions on the settlement date totaling EUR 11 thousand (previous year: EUR 14 thousand).

(33) Provisions

MWB has issued direct pension commitments to the founder members of MWB Wertpapierhandelshaus AG's Managing Board. The pension plans are performance-oriented and independent of salary payments.

The performance-related pension plans are taken into account using the following principles.

Provisions for pensions are formed on the basis of actuarial surveys in line with IAS 19 (revised 2002). The actuarial valuation of commitments are based on the figures from the guideline tables for invalidity and mortality in line with the "Pension table 1998" from Prof. Klaus Heubeck and an interest rate of 5 % (previous year: 6 %). According to IAS 19 (revised 2002), the so-called projected unit credit method is to be used to measure the commitments and calculate the expense. The cash value of the acquired pension claims on the cut-off date thus calculated takes into account unredeemed underwriting profits and losses that could result from a non-scheduled course of risk (deviations between the actual and anticipated invalidity and mortality rates) or changes to the calculation parameters (in particular interest rate, pension commitments and pension dynamics). There were changes to the valuation parameters, as in the previous year, insofar as the pension commitments made to the members of the Managing Board have been changed.

The company recognized the adjust-

ment to the net cash value of the liability in income in the provision for pensions.
The MWB Group disclosed the pension provision deficit totaling EUR 8 thousand resulting from the reconciliation to IAS accounting, measurement and consolidation methods under equity under profit reserves in the year of initial application.
This results in the following financing status:

	12/31/2004 TEUR	12/31/2003 TEUR
Reconciliation of the net cash value of the commitment to the pension provision:		
Net cash value of the commitment	1,274	1,179
Non-recorded underwriting profits/losses	-467	-443
Provision for pensions	807	736
Change in the provision for pensions		
Provision for pensions January 1	736	677
Ongoing service cost	43	37
Interest	59	60
Amortization of non-disclosed profits/losses	21	14
Curtailment	0	0
Benefits	-52	-52
Provision for pensions December 31	807	736
Change in the provision for repurchase values:		
Repurchase value January 1	788	729
Increase	71	59
Repurchase value December 31	859	788

The repurchase values deviate from the provisions for pensions as coverage is not 100 %.

(34) Other liabilities

	2004 TEUR	2003 TEUR
Accruals	976	815
Other liabilities	366	335
Total	**1,342**	**1,150**

We also disclose the deferred liabilities according to IAS 37 under the other liabilities. These include liabilities for which there is only minor uncertainty remaining concerning the amount and timing of the liability. This basically concerns liabilities from outstanding balances. These also include current liabilities to employees from vacation entitlements. We have carried the deferred liabilities in the amount at which they are likely to be taken up.
The other liabilities mainly comprise trade payables, and liabilities for employee income tax and social insurance.

(35) Equity

The subscribed capital and authorized capital has changed as follows:

	2004 TEUR	2003 TEUR
Subscribed capital		
Balance as at January 1	4,983	4,983
Balance as at December 31	4,983	4,983
Authorized capital		
Balance as at January 1	2,491	2,094
Balance as at December 31	2,491	2,491

As of December 31, 2004, the subscribed capital totaling EUR 4,983 thousand comprised 4,982,700 no-par value shares with a theoretical par value of EUR 1.00. All shares are bearer shares. The stock of own shares is disclosed on the balance sheet as a deduction from equity.

In line with SIC-16 of the Standing Interpretation Committee, no income or expense from dealing in own shares is shown in the profit and loss account of the IFRS consolidated financial statements. The trading loss from own shares totaling EUR 12 thousand is deducted from equity.

The General Meeting has issued the Managing Board of MWB Wertpapierhandelshaus AG with authorization to increase the company's share capital, with the authorization of the Supervisory Board, by issuing new shares against cash or non-cash contributions on one or several occasions (authorized capital) within a period of five years after the resolution dated July 7, 2003 is entered totaling EUR 2,491,000.00.

The Managing Board can, with the approval of the Supervisory Board, exclude shareholder's statutory subscription rights in line with statutory provisions. This applies in particular to the extent that the capital increase from authorized capital is used to acquire companies or interests in other companies.

The Managing Board has not used the authorized capital to date.

During the fiscal year, 30 % of MWB's shares were in free float, as was the case in the previous year.

(36) Own shares

On the balance sheet date, the company held a stock of 116,527 own shares with a theoretical par value of EUR 116 thousand (2.34 % of the share capital). In total, 114,590 own shares were bought and 130,586 own shares were sold during 2004. The average acquisition price totaled EUR 3.01, the average selling price totaled EUR 2.56. The stock of own shares is disclosed on the balance sheet as a deduction from equity.

In line with resolution SIC-16 of the Standing Interpretation Committee, no income or expense from dealing in own shares is shown in the profit and loss account of the IFRS consolidated financial statements. The profit from trading in own shares was carried in the capital reserve and is not reflected in income.

The stock of own shares is deducted from equity at acquisition costs.

MWB Wertpapierhandelshaus AG was authorized by the General Meeting on June 23, 2004 to acquire own shares before December 22, 2005 in order to be able to offer shares of the company to third parties during business combinations with other companies or as part of the acquisition of companies or interests in other companies, or to recall shares, or to use these for securities trading.

This authorization is limited to the acquisition of own shares with a total interest of 10 % in the share capital, or 5 % for the purposes of securities trading.

To date the company has only used its authorization to acquire own shares for the purpose of securities trading.

The limit on the number of shares as set by the General Meeting has been upheld.

Reporting for financial instruments

(37) Fair value of financial instruments

The stated fair values of financial instruments within the meaning of IAS 32 are in line with the amounts at which, on the balance sheet date, an asset could be exchanged or a liability settled between knowledgeable, willing contracting parties in an arm's length transaction.

Fair values are calculated on the balance sheet date based on the market information available.

Market prices are used for securities traded or negotiable on the stock exchange.

There were no deviations between the book value and fair value for the receivables from banks, other receivables from and liabilities to banks, as all items are only short-term.

There were no differences between the book value and fair value from the valuation of the financial assets, trading assets and trading liabilities on December 31, 2004.

Notes to the cash flow statement

(38) notes on the individual items of the cash flow statement

In addition to the balance sheet, profit and loss account, statement of changes in shareholders' equity and notes, the statement of cash flows is a compulsory element of IFRS financial statements and comprises three areas: cash flow from operating activities, cash flow from investing activities and cash flow from financing activities. The cash flow statement is prepared in line with IAS 7 and the bank-specific standard GAS 2-10. Cash and cash equivalents comprises the balance sheet cash reserve item and the receivables from banks due on demand and short-term liabilities. The net change from the sale and purchase of own shares included under "Cash flow from financing activities" was calculated based on the actual purchase prices achieved and sale prices paid during the fiscal year. Figures from the previous year were adjusted accordingly.

Reconciliation of cash and cash equivalents to the balance sheet item:	**2004 TEUR**	**2003 TEUR**
Receivables from banks	10,551	13,467
Liabilities to banks	-190	-127
Deposit investments for securities settlement	-3,750	-3,750
Cash and cash equivalents – end of period	**6,611**	**9,590**

The deposit investments deposited as collateral for default guarantees and other collateral for securities settlement totaling EUR 3,750 thousand (note 44) are not considered to be liquid funds when calculating the cash and cash equivalents. The figures from the previous year have been adjusted accordingly.

Notes on segment reporting

(39) Segment reporting

The group's segment reporting is in line with IAS 14. This standard requires that the segmentation reflects the group's internal organizational and reporting structure, as this structure reflects the various opportunities and risks associated with the operational segments. Segments with homogeneous opportunities and risks may be combined. We have segmented our group into the divisions "Specialist Business and Securities Trading" as well as "Asset Management". The divisions are each operated by the companies included in the MWB Groups consolidated financial statements. The divisions do not receive any services from the other divisions.

The information published in the segment reporting according to division is taken from the external accounting information and is in line with the internal reporting to the group management. As part of our organizational structure, we have not undertaken any geographical segmentation as all of our sales are recorded in Germany.

TEUR	Specialist business, Securities trading TEUR	Asset Management TEUR	Consolidation TEUR	Group
Net interest income	284	40		324
Net commission income	1,214	442		1,656
Trading profit	3,607	0		3,607
Result of financial assets	0	0		0
Personnel expenses	2,321	244		2,565
Scheduled amortization of intangible assets and depreciation of property, plant and equipment	192	16	6	214
Other administrative expenses	4,680	137		4,817
Balance of other operating income/expenses	53	21		74
Net income for the year by segments	-2,129	43	13	-2,073
Assets	17,888	1,074	-843	18,119
Liabilities	2,470	87		2,557
Risk items	11,367	0	-912	10,455
Allocated capital	15,417	987	-944	15,460
Expense/income ratio	139.90	83.42		134.17

The consolidation booking totaling EUR 13 thousand includes the amortization of the interest in MWB Wertpapierhandelsbank GmbH.

Other notes

(40) Pending litigation

There is the following pending litigation in the group which is of importance for the group:
MWB AG concluded a notarized agreement for the sale and assignment of its 100 % equity interest in MWB Wertpapierhandelsbank GmbH (share capital: EUR 102,258) with a private individual on June 29, 2004 for a price of EUR 980,000. Assignment of the sold interest was subject to a condition precedent that the buyer paid the purchase price in full. The purchase price had not been paid by the time the audit was completed. On January 19, 2005, MWB AG obtained a Judgment By Default in which the purchaser was ordered to pay the purchase price plus default interest to MWB AG. The defendant appealed this ruling in February 2005.

(41) Related parties

During the year under review, there were the following material transactions with related parties:
MWB AG acquired an interest of EUR 37,500 in Offenburg-based MWB Baden GmbH (share capital of MWB Baden GmbH: EUR 62,500) from MWB Wertpapierhandelsbank GmbH by way of a notarized agreement dated June 29, 2004 at a price of EUR 175,000. At the same time MWB Wertpapierhandelshaus GmbH assigned this interest to MWB AG.

(42) Classification of residual terms

	up to 1 month 12/31/2004 TEUR	up to 1 month 12/31/2003 TEUR	up to 3 months 12/31/2004 TEUR
Receivables			
Receivables from customers	7	19	7
Limited-term receivables from banks	10,551	13,467	10,551
Other assets	1,191	1,066	38
Liabilities			
Limited-term liabilities to banks	190	127	190

(43) Contingent liabilities and other commitments

There were no contingent liabilities and other commitments to be shown in the accounts as of the close of business on December 31, 2004.
The annual payment commitments from rental contracts and other service contracts had the amounts and maturities shown in the following table:

	12/31/2004 TEUR	12/31/2003 TEUR
Rental agreement		
Due 2004		87
Due 2005	79	40
Due 2006	43	
Securities information services	**TUSD**	**TUSD**
Due 2004		8
Due 2005	116	
Due 2006	69	

(44) Assets assigned as collateral

Some of the receivables from banks are a deposit investment as collateral for default guarantees totaling EUR 3,250 thousand, which were issued to all stock exchanges on which MWB Wertpapierhandelshaus AG acts as an order-book manager. If the MWB Group provides other collateral for processing totaling EUR 500 thousand, it can avail itself of this deposit at any time.

(45) Employees

The following table shows the group's average number of employees – without Managing Board Members – during the fiscal year.

	2004	2003
Gräfelfing	**15**	**19**
Berlin	**2**	**2**
Frankfurt	**5**	**4**
Offenburg	**3**	**2**
	25	**27**

(46) Remuneration for members of the managing and superviory boards

According to section 87 of the Aktiengesetz (AktG - German Public Limited Companies Act), the Supervisory is responsible for setting the remuneration for the members of the Managing Board. Employment contracts have been concluded with the members of the Managing Board. These include a basic salary and variable remuneration in the form of a performance-related annual bonus. The bonus depends on the result from ordinary activities before inclusion of the Managing Board's bonuses. In the event of a negative result from ordinary activities, no bonus is paid.

The members of the Managing Board received total remuneration of EUR 528 thousand for fiscal year 2004:

Members of the Board of Management	**Fixed remuneration in TEUR**
Thomas Mühlbauer	159
Christine Niederreuther-Rohrhirsch	159
Thomas Posovatz	159
Herbert Schuster	50
	528

No bonuses were paid.

In addition to this remuneration for the members of the Managing Board, one former member of the Managing Board was paid a total of EUR 52 thousand in 2004, of this total EUR 31 thousand was covered by insurance payments.

The company made provisions totaling EUR 71 thousand for pensions and similar commitments in 2004.

New regulations were passed for remuneration for the Supervisory Board in the General Meeting on June 25, 2003 by way of a change to the Articles of Incorporation. Each member of the Supervisory Board receives fixed remuneration totaling EUR 10 thousand for each full year of their membership of the Supervisory Board in addition to reimbursement of their expenses. The remuneration is payable after the end of the fiscal year. In addition, from January 1, 2003, each member of the Supervisory Board receives variable remuneration totaling

0.3 % of the positive consolidated result from ordinary activities for each full fiscal year of their membership of the Supervisory Board. The company grants the members of the Supervisory Board reasonable insurance protection, in particular the company undertakes to conclude directors and officers insurance on behalf of the members of the Supervisory Board, which covers the statutory liability inherent in activities as a Supervisory Board member to a reasonable extent.

The Chairman of the Supervisory Board receives twice the amount of the fixed and variable remuneration, the Deputy Chairman receives one and a half times this amount. The combined total of fixed and variable remuneration are limited to EUR 15 thousand per year for ordinary members of the Supervisory Board, EUR 22.5 thousand per year for the Deputy Chairman, and EUR 30 thousand per year for the Chairman. All amounts are net of statutory VAT.

The Supervisory Board's remuneration totaling EUR 52 thousand (including VAT) was broken down as follows for fiscal year 2004:

Members of the Supervisory Board	Fixed remuneration in TEUR
Dr. Ottheinz Jung-Senssfelder	23
Thomas Mayrhofer	17
Michael Wilhelm	12
	52

The remuneration for the Supervisory Board did not include a performance-based component in the year under review.

A fee totaling EUR 42 thousand was paid for consulting services rendered to Mayrhofer & Partner (law firm), Munich, where Mr. Mayrhofer is a partner.

(47) Members of the managing and supervisory boards

During the year under review, the following were appointed as members of the Managing Board:

Thomas Mühlbauer, Gräfelfing, Stock Broker (to December 31, 2004)
Christine Niederreuther-Rohrhirsch, Munich, Stock Broker
(to December 31, 2004)
Thomas Posovatz, Munich, Stock Broker
Herbert Schuster, Gauting, Stock Broker (from August 1, 2004)

Mr. Mühlbauer was a member of the Supervisory Board of Bayerische Börse AG, Munich until June 25, 2004.
Mr. Posovatz has been a member of the Supervisory Board of Bayerische Börse AG, Munich from June 26, 2004.
Mr. Schuster is a member of the Supervisory Board of Konsortium AG, Augsburg.

The company's Supervisory Board had the following members:

Dr. Ottheinz Jung-Senssfelder, Lawyer, Chairman
Thomas Mayrhofer, Lawyer, Deputy Chairman
Michael Wilhelm, Auditor/Tax Adviser

In addition to his position on MWB Wertpapierhandelshaus AG's Supervisory Board, Mr. Jung-Senssfelder held an office with the following company in 2004:

- IC Immobilien Holding AG, Munich

In addition to his position on MWB Wertpapierhandelshaus AG's Supervisory Board, Mr. Mayrhofer held offices on the Supervisory Boards of the following companies in 2004:

- Best AG, Töging am Inn (Deputy Chairman until October 27, 2004),
- BrainLAB AG, Kirchheim-Heimstetten (Deputy Chairman),
- Primus AG, Munich (Chairman),
- PTV Planung Transport Verkehr AG, Karlsruhe.

Mr. Michael Wilhelm was member of the Supervisory Board of Kontron AG, Eching from July 1, 2004 until October 15, 2004.

(48) Shareholdings in MWB AG held by members of the managing and supervisory boards

Members of the Managing Board	Interest in share capital %
Christine Niederreuther-Rohrhirsch	9.61
Thomas Posovatz	9.53
Thomas Mühlbauer	9.51

The three members of the Managing Board each also hold a 7.95 % interest in MWB Wertpapierhandelshaus AG via FMNP GmbH.

Mr. Schuster does not hold any shares in MWB Wertpapierhandelshaus AG.
The members of the Supervisory Board do not hold any shares in MWB Wertpapierhandelshaus AG.

Graefelfing, March 17, 2005

Independent Auditor´s Report

We have audited the consolidated financial statements, comprising the balance sheet, the income statement and the statements of changes in shareholders´equity and cash flows as well as the notes to the financial statements prepared by MWB Wertpapierhandelshaus AG, Graefelfing, for the business year from January 1, to December 31, 2004. The preparation and the content of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) are the responsibility of the Company´s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit of the consolidated financial statements in accordance with German auditing regulations and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) and in supplementary compliance with International Standards on Auditing (ISA). Those standards require that we plan and perform the audit such that it can be assessed with reasonable assurance whether the consolidated financial statements are free of material misstatements. Knowledge of the business activities and the economic and legal environment of the Group and evaluations of possible misstatements are taken into account in the determination of audit procedures. The evidence supporting the amounts and disclosures in the consolidated financial statements are examined on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the net assets, financial postion, results of operations and cash flows of the group, for the business year in accordance with International Financial Reporting Standards.

Our audit, which also extends to the group management report prepared by the Company´s management for the business year from January 1 to December 31, 2004, has not led to any reservations. In our opinion on the whole the group management report provides a suitable understanding of the Group´s position and suitably presents the risks of future development. In addition, we confirm that the consolidated financial statements and the group management report for the business year from January 1 to December 31, 2004, statisfy the conditions required for the Company´s exemption from ist duty to prepare consolidated financial statements and the group management report in accordance with German law.

Munich, April 8, 2005
KPMG
Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Schobel
Wirtschaftsprüfer

Pastor
Wirtschaftsprüfer
(Independent Auditors)

In case of publication or transmission of the financial statements in a version different to the version confirmed by us (including translations into other languages), in so far as our audit opinion is quoted or our review referred to, a new statement is to be obtained from us. Please refer to § 328 HGB.

The Company

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Registered with the local Court of Munich,
HRB 123 141, founded in 1993

Admitted for trading on the following exchanges
- Munich Stock Exchange
- Berlin-Bremen Stock Exchange
- Frankfurt Stock Exchange
- Rhineland-Westphalia Stock Exchange in Duesseldorf
- Baden-Wuerttemberg Stock Exchange

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

Blösch & Partner 04/2005 · 2.500 BE

MWB Wertpapierhandelshaus AG · **Annual Report 2004**

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