Märkte · Wertpapiere · Börsen

Annual Report 2005

2005

MWB WERTPAPIERHANDELSHAUS AKTIENGESELLSCHAFT

Financial markets and their players have a major impact on society's mood. The signals they send change attitudes, opinions and expectations – often for long periods. Positive growth sends a particularly strong signal. This is regarded as being a sign of new ground being broken, driving further growth as a self-fulfilling prophecy.

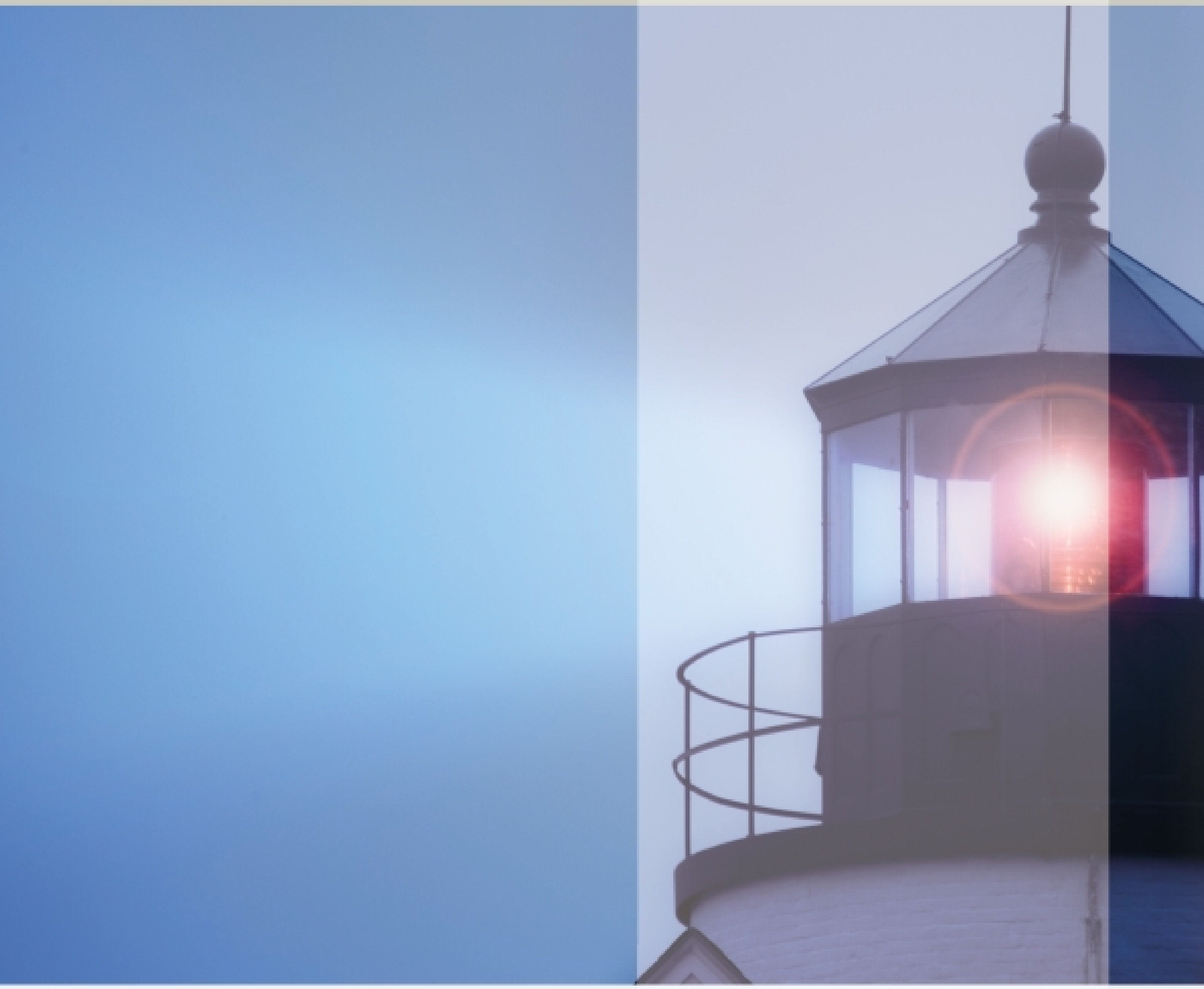
This is also true for MWB AG. We are a company that believes in transparency and openness towards its shareholders and its partners, however we don’t want to be seen as foolishly sending the wrong signals. We only make issues public when these can be backed with objective facts. And that makes it all the more pleasing for us to be able to report several such facts for 2005. Significantly positive earnings from operations are at the top of this list, and then comes the new-found strength of MWB’s shares and finally our return to the IPO business. Within the company, changes could be seen above all in the corporate culture. If we combine these individual elements to get an overall picture – the signal at the end of the year is very clear: MWB AG is heading for success.

Sending signals

Let’s look forward to the signals in 2006 together!

MWB Group	2005	2004	+/- in %
Commission result	TEUR 2,427	TEUR 1,656	+47
Trading result	TEUR 5,422	TEUR 3,607	+50
Personnel expenses	TEUR 2,155	TEUR 2,565	-16
Administrative expenses	TEUR 5,390	TEUR 5,031	+7
Profit from ordinary activities	TEUR 1,017	TEUR -1,935	+152
Net profit	TEUR 982	TEUR -2,046	+148
Balance sheet total	TEUR 19,745	TEUR 18,119	+9
Equity	TEUR 16,856	TEUR 15,460	+9
Earnings per share	€ 0.48	€ -0.20	+340
Number of employees	28	28	±0

At a Glance



Märkte · Wertpapiere · Börsen

Annual Report 2005

2005

WERTPAPIERHANDELSHAUS
AKTIENGESELLSCHAFT

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Cardinal Joseph Ratzinger becomes Pope

Franz Müntefering calls fund managers "grasshoppers"

HVB acquired by Italian Unicredit

Terror attack on London underground

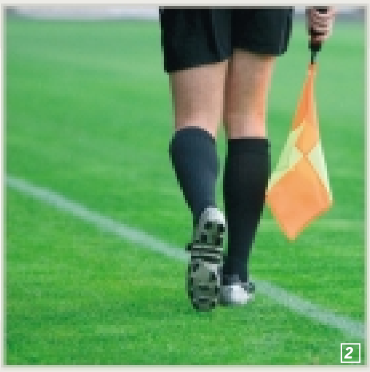
MWB places shares of Theolia S.A.

Hurricane "Katrina" destroys New Orleans

Grand coalition formed after new German federal elections

Dresden's Frauenkirche is reopened

Angela Merkel becomes Germany's first female chancellor



01|05

*1 Taiwan builds the world's highest skyscraper: Taipei 101 – designed to be "bendable" like a bamboo stalk to better withstand earthquake damage · **2 The greatest bribe scandal in 30 years shatters Germany's premiere soccer league: Referees and premiere league players come under suspicion** · 3 T-Online initially not to be reintegrated into the Telekom group. The reason: T-Online shareholders would have sued against the planned share swap transaction*

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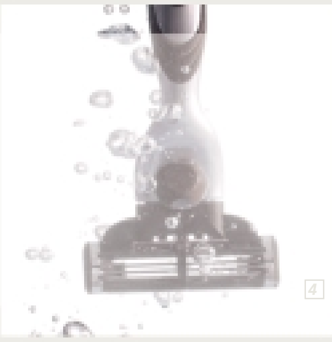


4

5

4 Procter & Gamble buys Gillette via a share swap for around USD 57 billion and replaces Unilever as the world's number 1 · 5 The chemicals group Lanxess, a Bayer spin-off, goes public

Letter to shareholders

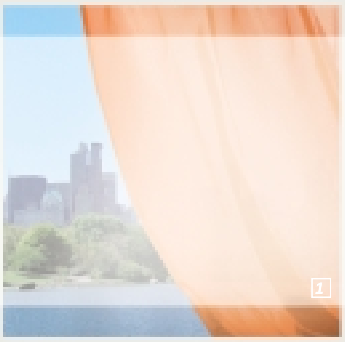
Letter to shareholders

Dear Shareholders,

Success isn't a matter of chance. Our significant turnaround in fiscal year 2005 can be put down to improved underlying conditions. It is also the result of anticipatory corporate management and making the right decisions. We also put the necessary measures in place in plenty of time – from cutting costs through to strategic further development – allowing MWB AG to benefit to a high degree from the upswing on the stock markets. First, let's look at the underlying conditions: All in all, last year was characterized by strong economic growth in almost all regions of the world. The German market continued to be an exception, however this market was supported by impressive corporate profits and an excellent balance of foreign trade. The fact that new elections were called ahead of schedule also lifted the mood. Together with other factors, they helped the Ifo business climate index to climb to its highest level since May 2000. Another side effect was foreign investors' return to Germany. These investors, and an increasing number of private investors, are to be thanked for the DAX lifting 27% and exhibiting positive performance for the third successive year. The frequently forecasted decline in the prices of fixed-interest securities failed to materialize, as did a panic reaction in view of an exorbitant increase in commodity prices. In fact, quite the opposite occurred: More and more investors are discovering commodities as a lucrative investment, so that 2005 can certainly be called a "year of the commodities". However, although this may appear positive at first glance, a closer look shows incalculable risks: increasing energy prices may well depress weak consumer demand, particularly in Germany. However, the highly promising first quarter of 2006 also shows that there is no room for that type of skepticism on the financial markets right now: the DAX almost reached the magical 6,000-point mark at the end of February.

Positive earnings up on expectations

At MWB, the increasing activities of institutional and private investors brought with them a perceptible improvement in trading opportunities. Turnover in foreign stocks was up 21% to EUR 267.2 billion, this leading to a resurgence in specialists business in the second half of the year in particular. This resulted in distinctly positive commission income up 47%, or EUR 771 thousand in absolute figures. The increase in trading profits was even stronger, lifting from EUR 3,607 thousand in 2004 to EUR 5,422 thousand – up 50%, which certainly exceeds our expectations. The importance of making a mark at an early stage in terms of cost management is shown by a look at our profits from ordinary activities (which is directly dependent on our cost structure). This was positive for the first time since 2000 at EUR 1,017 thousand, and was up 153% on the previous year. This increase is primarily due to the minor increase in general administrative expenses, which is purely due to the increase in transaction costs for securities trading. This again shows that strict discipline before a boom is reflected immediately in increased value in the following bull years. We were particularly pleased by the fact that the price of MWB's shares is geared more than ever to reality. It increased steadily over the year and closed on December 30, 2005 at EUR 3.30.



02|05

1 Christo and Jean-Claude's newest project "The Gates" opens in New York's Central Park · ***2 MWB places capital increase for SOLON AG, Europe's largest solar module producer. Volume: EUR 11 million*** · *3 Novartis swallows Hexal and Eon Labs for EUR 6.4 billion and moves to the number 1 position on the generics market*

Fair dividend for our shareholders

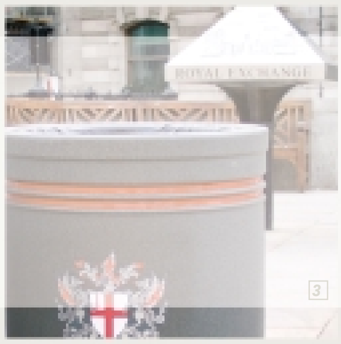
It goes without saying that we will reward our shareholders – who have supported us through difficult times – with a fair dividend for their trust. We will make a corresponding proposal to our general meeting on July 12, 2006 for the first time since 2001. Great value will be attached to the fact that the total dividend is paid from our operating earnings, and not from the company's assets. It was in fact our high liquidity and equity structure that have bolstered MWB's stability and credibility in the past. However, we must not only thank our shareholders, but also all of our employees – whose loyalty and terrific commitment fueled our turnaround. Our securities traders participated in our entrepreneurial risk with a cut in their fixed salaries and the simultaneous introduction of performance-related remuneration – showing courage and farsightedness. MWB's improved position now offers them a multitude of opportunities and a stable basis for the future. We would also like to thank MWB's Supervisory Board, which showed an above average level of commitment to our company. With their support, we were able to make the entrepreneurial decisions we had to make last year – some of which demanded a fair degree of courage.

Making a mark on the market

MWB has been making a mark on its market for years. Be it the formation of MWB Baden in Offenburg in 2002, the support of MAX-ONE on the Munich Stock Exchange in 2003, or a change to the Managing Board, which drove growth and brought new style to the company. In 2005 the greatest mark was the return to the profit zone – which could already be seen in the first quarter. However, there were other milestones too that will set the foundations for the coming year. Firstly, we were able to expand our specialization in SMEs, and have placed further capital increases in this segment. We are now recognized as being a tried-and-trusted specialist for renewable energies in this sector. We also decided at the end of the year to enter into fixed-interest securities business. We succeeded in widening our range by acquiring a specialist on the bonds market, and this expansion will be reflected in higher commission income. Last but not least, at the end of 2005 we applied for the IPO license from BaFin (German Financial Supervisory Authority) which will allow us to participate more strongly in the capital markets. This IPO license will allow us to support our small and mid-cap clients through to an IPO. We believe that this will be a great opportunity given the current conditions on the market, and we have set up an independent profit center with a new employee. This signalizes our trust in the future – and the hope that you, our shareholders, will continue to support us with just as much trust.

Thomas Posovatz

Thomas Posovatz,
Speaker of the Management Board



03|05

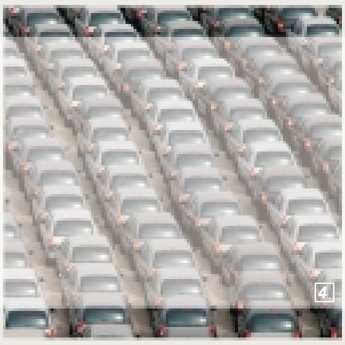
*1 30 US REITS are included in OTC trading at the Munich Stock Exchange upon application by MWB · **2 SPD loses state elections in Schleswig-Holstein. This election loss is regarded as a clear signal for a fast end to the red/green government and sparks off the "Chancellor Question" at the CDU/CSU · 3** Deutsche Börse withdraws offer for London Stock Exchange after massive pressure from shareholders*

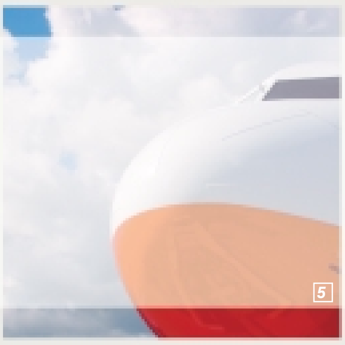
Management Board

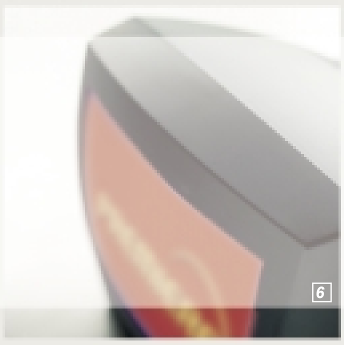
Management Board

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







03 | 05

4 Agreement at Opel: plants in Germany to be secured via zero pay increases and pay cuts · 5 Lufthansa acquires Swiss International Airlines · 6 The private broadcaster Premiere goes public with an IPO of EUR 1.2 billion

Supervisory Board’s Report

Supervisory Board’s Report

Dear Shareholders,

The Managing Board reported to the Supervisory Board on corporate forecasting, business growth, and key transactions of the company in fulfillment of its statutory tasks on a regular basis both in writing and orally. The Supervisory Board regularly reviewed the company’s economic situation. Decisions of fundamental importance were discussed with the Supervisory Board and presented to it for approval. In addition to scheduled reporting, the new establishment of the division “IPO Business” was discussed and reviewed in depth. No Supervisory Board committees were formed.

Four Supervisory Board meetings were held in fiscal year 2005 on April 26, June 23, July 12 and December 12, 2005 with all members of the Managing and Supervisory Boards participating. A resolution was passed by written circulation of the voting papers on October 11, 2005. The Managing and Supervisory Boards are aware that good corporate governance in relation to the shareholders and the capital market plays a key role in the company's success. The Supervisory Board discussed the corporate governance issues in its meeting on December 12, 2005, and agreed the 2005 declaration of conformity in this meeting. In the same meeting, the Supervisory Board reviewed the efficiency of its activities.

Fiscal year 2005 was a successful year for MWB Wertpapierhandelshaus AG. The company finally, after several long years, once again recorded positive earnings. The Supervisory Board believes that the company’s positive growth will also continue in 2006.

The Supervisory Board was presented with the following documents prepared by the Managing Board: the financial statements, the consolidated financial statement, the management report and group management report, the Managing Board’s proposal for the appropriation of net profits together with the corresponding auditor’s opinions prepared by the auditors. The Supervisory Board reviewed the documents presented.

KPMG Deutsche Treuhand-Gesellschaft AG Wirtschaftsprüfungsgesellschaft, Frankfurt and Berlin, was appointed as auditor and audited the annual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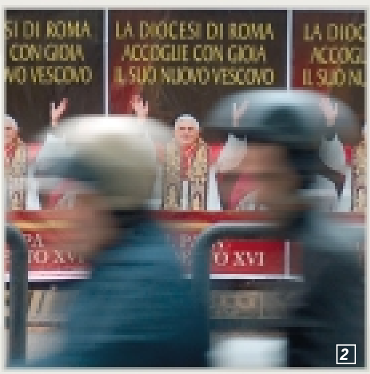


2

04 | 05

1 MWB reports distinctly positive earnings for Q1 2005 · ***2 Pope John Paul II dies on April 2, aged 84, millions of pilgrims attend his funeral. Cardinal Joseph Ratzinger becomes the new Pope: Benedict XVI***

Supervisory Board's Report

financial statements, the consolidated financial statements, the management report of the group and the AG as of December 31, 2005 including the accounting in line with statutory provisions, and issued an unqualified auditor's opinion. The financial statements as of December 31, 2004 were altered and subjected to a supplementary audit. The report on the supplementary audit was submitted to the Supervisory Board. The auditors also reported personally to the Supervisory Board in the meeting to discuss the financial statements on April 27, 2006. In the meeting discussing the financial statements, the Supervisory Board acknowledged the results of the audit and did not raise any objections. In accordance with section 171 Aktiengesetz (AktG – German Public Limited Companies Act, the Supervisory Board approved the annual financial statements, the consolidated financial statements, the group and single-entity management report, the proposal for the appropriation of net profits, the company's financial statements, and the consolidated financial statements. The financial statements are thus adopted within the meaning of section 172 of the AktG. The altered financial statements as of December 31, 2004 were adopted. The Supervisory Board approved the Managing Board's proposal for the appropriation of net retained profits.

The Supervisory Board would like to thank the Managing Board and all of the company's employees for the successful fiscal year 2005.

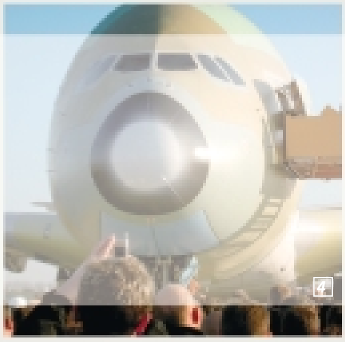
Gräfelfing, April 27, 2006

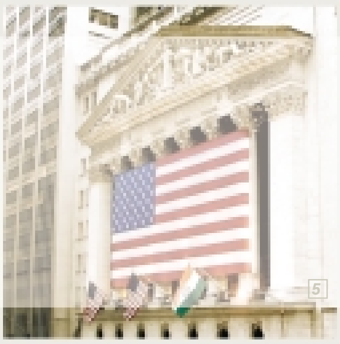
Dr. Ottheinz Jung-Senssfelder
Chairman of the Supervisory Board

Thomas Mayrhofer
Vice Chairman

Dipl.Kfm. Michael Wilhelm

Dr. Ottheinz Jung-Senssfelder
Chairman





04 | 05

3 *SPD boss Franz Müntefering calls fund managers "grasshoppers" ·* ***4*** *Virgin flight of new Airbus A 380, the world's largest transport plane ·* ***5*** *NYSE merges with Archipelago, the electronic trading platform*

Corporate Governance

Corporate Governance

Times of transparency

The introduction of the Corporate Governance Code in 2002 was a clear signal to entrepreneurs and shareholders: its “Recommendations for responsible corporate management" created greater transparency for shareholders and a stronger basis of trust for public limited companies. MWB believes that the code is a key instrument for increasing the attractiveness of the stock exchanges especially for private investors. In view of the revival in interest among this group of investors, it is impossible to hold the importance of a generally binding code of behavior in high enough regard. The following section is the wording from this year's corporate governance report:

Corporate Governance Report of MWB Wertpapierhandelshaus AG, Gräfelfing

Cooperation between the Managing and Supervisory Boards

The Managing and Supervisory Boards of MWB Wertpapierhandelshaus AG work closely together to benefit the company. The Supervisory Board is included in all key activities and transactions as a controlling body. The projects and legal transactions that require the Supervisory Board’s approval are set out in the by-laws.

Efficiency review by the Supervisory Board

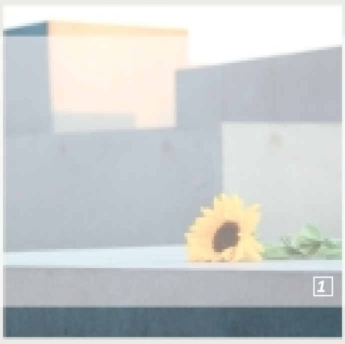
The Supervisory Board reviews his efficiency once a year using a check list. Any suggestions for improvement that may result are implemented accordingly.

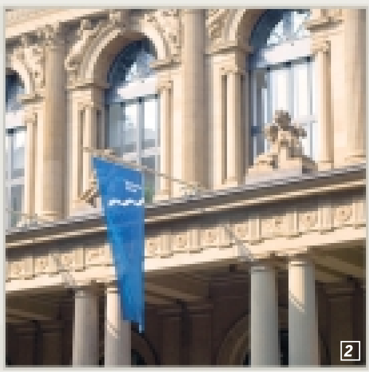
Declaration of conformity

The Managing and Supervisory Boards issued an updated declaration of conformity within the meaning of section 161 of the Aktiengesetz (AktG – German Public Limited Companies Act) in December 2005. According to Item 3.10 of the German Corporate Governance Code, any deviations from the code’s recommendations are to be explained.

In December 2005, the Managing and Supervisory Boards declared that the recommendations of the German Corporate Governance Code in the May 21, 2003 version had basically been complied with. There were the following deviations:

- The German Corporate Governance Code recommends that the Super





05 | 05

*1 The Holocaust Memorial in Berlin is opened · **2 Shareholders of Deutsche Börse AG force Rolf Breuer and Werner Seifert to resign*** visory Board should form professionally qualified committees depending on the company's specific circumstances and the number of Board members (Items 5.2, 5.3.1, 5.3.2 of the code). MWB Wertpapierhandelshaus AG's Supervisory Board comprises three members. As a committee must comprise at least two members, the formation of committees would not lead to more efficient activities by the Supervisory Board.

- According to the recommendations of the German Corporate Governance Code, the company's consolidated financial statements must be publicly accessible within 90 days of the end of the fiscal year; interim reports must be publicly accessible within 45 days of the end of respective reporting period (Item 7.1.2 of the code). The Börsenordnung (stock exchange rules) of the Frankfurt Stock Exchange include a period of four months for publication of the consolidated financial statements and two months for publication of the respective interim reports for "Prime Standard" companies. The company adheres to these deadlines and thus deviates from the deadlines recommended in Item 7.1.2 of the code.

In their declaration of conformity dated December 2005, the Managing and Supervisory Boards of MWB Wertpapierhandelshaus AG declared that they will continue to follow the recommendations of the German Corporate Governance Code in future in the version dated June 2, 2005 with the exceptions detailed above.

Supervisory Board remuneration
Item 5.4.7 of the German Corporate Governance Code recommends that the remuneration of members of the Supervisory Board be stated individually and broken down into components.

According to Item 8 of the company's Articles of Association, every member of the Supervisory Board receives fixed remuneration totaling EUR 10,000 excluding compensation for their expenses for each full fiscal year of their membership of the board. In addition, 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 Chairman of the Supervisory Board receives double, the Deputy Chairman receives 1.5 times the amount of the fixed and the variable remuneration. The total fixed and variable remuneration for an ordinary member of the Supervisory Board is limited to EUR 15,000 per year, EUR 22,500 for the Deputy Chairman and EUR 30,000 for the Chairman. The company provides the members of the Supervisory Board with adequate insurance protection. This includes a directors and officers insurance that provides them with reasonable coverage of the statutory liability inherent in the activities of a supervisory board member.

During fiscal year 2005, the Supervisory Board members received the following remuneration:

	Fixed remuneration	Variable remuneration	Total remuneration
Dr. Ottheinz Jung-Senssfelder	€ 23.000 ,–	€ 7.000,–	€ 30.000 ,–
Thomas Mayrhofer	€ 17.000 ,–	€ 5.000,–	€ 22.000 ,–
Michael Wilhelm	€ 12.000 ,–	€ 4.000,–	€ 16.000 ,–

06 | 05

1 The IPO for engine manufacturer MTU is the second largest of the year with a volume of EUR 750 million · ***2 France and The Netherlands refuse to approve the EU constitution*** *· 3 The acquisition of HVB by the Italian Unicredit is officially announced*

Remuneration of the Managing Board

The Managing Board's remuneration comprises fixed and variable components. There is a pension commitment for Thomas Posovatz.

Thomas Posovatz receives a fixed gross annual remuneration totaling EUR 129,000 for his activity, Herbert Schuster EUR 120,000. In addition, each member of the Managing Board receives variable remuneration totaling 5 % of the consolidated earnings before income taxes and bonuses. Each member of the Managing Board is also provided with a company car (upper range), which they may also use privately. Income tax payable on the pecuniary advantage from this use is borne by the respective member of the Managing Board.

Stock option program and similar incentive systems

There are no stock option programs and similar incentive systems at the company.

Directors' dealings transactions and shareholdings of Managing and Supervisory Board members

There were no directors' dealings transactions within the meaning of section 15s of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Code) last year. As a member of the Managing Board, Thomas Posovatz holds the following interest in the company:
474,648 shares: this corresponds to an interest of 9.53 % in the share capital. Mr. Posovatz holds an indirect interest of 7.95 % in MWB Wertpapierhandelshaus AG via FMNP Beteiligungs GmbH.

The members of the Supervisory Board do not hold any shares of the company.

Gräfelfing, April 2006

On behalf of the Supervisory Board:
Dr. Ottheinz Jung-Senssfelder

On behalf of the Managing Board:
Thomas Posovatz

Declaration of conformity
by the Management and Supervisory Boards of MWB Wertpapierhandelshaus AG, Gräfelfing on the recommendations of the German Corporate Governance Code within the meaning of section 161 of the AktG

The Management and Supervisory Boards of MWB Wertpapierhandelshaus AG, Gräfelfing, herewith issue the following declaration of conformity within the meaning of section 161 of the AktG regarding the recommendations of the "Government Commission German Corporate Governance Code":

1. MWB Wertpapierhandelshaus AG will basically follow the recommendations of the German Corporate Governance Code in its version dated June 2, 2005 – as announced in the electronic Bundesanzeiger (Federal Gazette) on July 20, 2005, modified on July 21, 2005 – with the following exceptions.

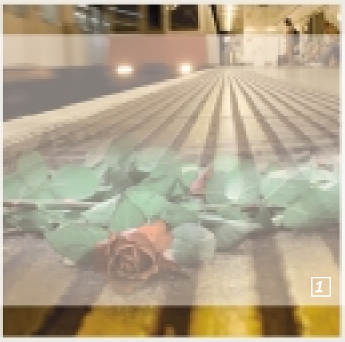
a) The German Corporate Governance Code recommends that the Supervisory Board should form professionally qualified committees depending on the company's specific circumstances and the number of Board members (Items 5.3.1, 5.3.2). MWB Wertpapierhandelshaus AG's Supervisory Board comprises three members. A committee would have to comprise at least two members, which means that forming committees would not lead to the Supervisory Board working more effectively.

b) According to the recommendations of the German Corporate Governance Code, the company's consolidated financial statements must be publicly accessible within 90 days of the end of the fiscal year; interim reports must be publicly accessible within 45 days of the end of respective reporting period (Item 7.1.2). The Börsenordnung (stock exchange rules) of the Frankfurt Stock Exchange that came into effect on January 1, 2003 include a period of four months for publication of the consolidated financial statements and two months for publication of the respective interim reports for "Prime Standard" companies. The company intends to uphold these periods and will thus deviate from the periods stipulated in Item 7.1.2.

2. Since its last declaration of conformity dated December 2004, MWB Wertpapierhandelshaus AG has basically followed the recommendations of the German Corporate Governance Code in the May 21, 2003 version – as announced in the electronic Bundesanzeiger (Federal Gazette) on July 04, 2003. The recommendations in Items 5.3.1, 5.3.2 and 7.1.2 were not followed.

MWB Wertpapierhandelshaus AG
Gräfelfing, December 2005

Managing Board *Supervisory Board*



07|05

*1 Terrorist attack on the London underground claims more than 50 lives · **2 MWB's general meeting is held** · 3 The DaimlerChrysler group's boss Jürgen Schrempp announces his exit – share price spirals upwards*

Divisions

Stock markets flying high

2005 was an excellent year for securities trading companies. After a strong first quarter, there was only a slight interim hiatus in April and May, followed by two quarters which brought excellent figures. At MWB, the fourth quarter would have been even better if a write-down for longer-term securities stocks had not reduced results. As cyclical players, all securities trading companies benefited from the upswing in equity indices, which enjoyed double digit growth with the exception of the Dow Jones. The DAX reported a new three-year high at regular intervals, and closed at 5,408 points on December 30, 2005. The increase associated with this in trading activities – above all in our specialty area of foreign stocks – led to a renaissance for this division. After four weaker years, the above average increase showed that it had been strategically correct to stick to our position as a specialist firm.

However, MWB's two other divisions also benefited from the excellent underlying conditions. Our "Institutional Clients" division stabilized still further, whereas our "Private Clients" division recorded double-digit growth for assets under management.

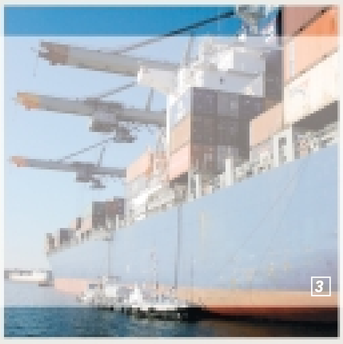
Foreign Stocks

This division surprisingly grew to become the 2005 earnings driver. The first half of the year was still shaped by institutional investors, however in the second half of the year private investors returned to the stock market and brought with them significant turnover increases. MWB recorded 70 % of its total earnings and around one third of its commission income with its specialist business and proprietary trading. The number of order books managed increased by 315 to 2,778. Our support for high-growth shares made a major contribution to our success. We manage, for example, the order books for Q-Cells, the solar energy company, and for Premiere AG at the Munich Stock Exchange. But in addition to specialist business, prop trading in foreign stocks also drove growth. We focused on equities from the Pacific region and special US situations, and in 2005 we added the listing of 30 US REITS (Real Estate Investment Trusts) at the Munich Stock Exchange. The start of trading in March 2005 led to strong feedback in the media, thus increasing awareness of our company. We acknowledged the increasing importance of prop trading by expanding our staff in this division.

Munich Stock Exchange – a model for success

The flexibility that Munich Stock Exchange can offer with its MAX-ONE business model was shown, amongst other factors, by the smooth listing for the US REITs. In 2005 this was coupled with a perceptible improvement in earnings on the Munich exchange. We were right to stick with MAX-ONE, even if the heightened competition between the stock exchanges forced us to constantly weigh up the advantages and disadvantages of individual exchanges. When it comes to Deutsche Börse itself, the Frankfurt stock exchange





08 | 05

*1 Adidas announces acquisition of US sporting goods manufacturer Reebok for EUR 3.1 billion · **2 Hurricane "Katrina" causes flooding and destroys New Orleans** · 3 TUI's plans to acquire the Canadian container ship company CP Ships meets with little sympathy on the market. The reason: this would require a capital increase of EUR 1 billion* gained profile in 2005. The introduction of an electronic limit control system made a major contribution to increasing the quality of floor trading. The control system defines specific performance criteria that specialists have to fulfill. This resulted in improved opportunities for trading for MWB and other specialists. In addition, the additional quality issue created more new business for the Frankfurt stock exchange. The change to Deutsche Börse AG's top management, which was welcomed by many market players, will not have any consequences for specialist firms. The new managing board has clearly stated that it favors floor trading and already launched a host of activities to promote floor trading in 2005.

Institutional Clients

The highest growth division in 2004 was slightly beaten by trading in foreign stocks over the last twelve months. It remained at a pleasingly stable level and contributed 21 % to our total earnings and 44 % to our commission income – figures that are on par with the previous year. The internal changes were much more important and ultimately led to our filing for an IPO license in November 2005. This is the logical effect of the consistent expansion of our designated sponsoring activities – we currently have eight mandates. As specialists in SMEs, we have only been able to place bonds or capital increases up to now, leaving the lucrative IPO business to banks. This was not a particular problem given the situation on the stock markets to date. However, for the coming years we are expecting an increase in capital markets transactions – simply because SMEs are increasingly having to finance their expansion via equity instead of using borrowing. The IPO license, which was issued to us in January 2006, will allow us to support our existing mandates and new mandates through to the IPO. Of course we benefit from our expertise and trust in the small and mid-caps sector. Alone in 2005 the following transactions were executed by us: a capital increase for SOLON AG totaling EUR 11 million; the placement of a convertible bond for this company in cooperation with the US investment bank Jefferies (totaling EUR 42.3 million); a private placement for IFEX N.V. with a volume of EUR 2.7 million; the replacement of shares of Theolia AG with a total volume of EUR 6.2 million; and finally a private placement for Essen-based ENRO AG (total EUR 1.0 million) and its subsequent listing on Frankfurt stock exchange's open market. We have established industry expertise for designated sponsoring, which will be of strategic importance in view of the increasing commodities prices. Four of MWB's eight mandates are from the renewable energy sector: SOLON AG (photovoltaic), ENRO AG (biomass), Theolia S.A. (wind farms) and KP-Renewables plc. (wind power, biomass).

Private Clients

Investors' trust has returned – leaving its traces with almost all asset managers. This was also the case at MWB Baden AG, a 60 % subsidiary of MWB AG. The assets under management,

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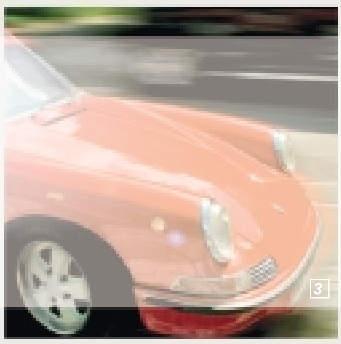

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09 | 05

*1 Mobilcom merges with Freenet to form Telunico, thus forming the leading company in the TecDax · **2 Bundestag elections in Germany: a grand coalition emerges, the coalition marathon starts** · 3 Porsche acquires a 20% interest in VW, shares fall by 10%*

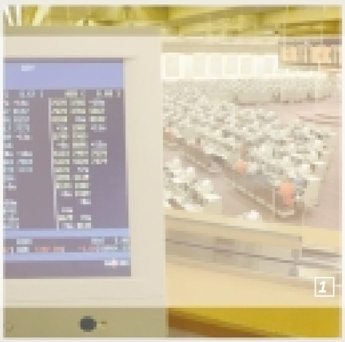
increased during the year from EUR 20.7 million to EUR 31.2 million – the largest growth in the company's history. Business with private clients contributed 21 % to our total commission income, down slightly year-on-year. This is due, however, to the higher total commission volume. MWB Baden is a high-growth company and is constantly increasing its client figures. In order to be able to progress along this path in future, we will increasingly approach so-called "tied agents" who have contacts to high net worth private investors.

New division: Bond Trading

MWB is sending clear signals to the market by expanding its competence to include order book management for bonds. This diversification has, on the one hand, increased the base of our business, which in turn contributes to an improved competitive position. On the other hand, it also shows that MWB is open for new business models and strategic alliances. Instead of missing an opportunity, we would rather talk things through – an approach completely in line with our corporate culture of open dialog. In the case of Berlin-based C.J. Diederich Wertpapierhandels GmbH, however, the owner approached us directly. This is a particular honor that proves we are acknowledged in our industry. The acquisition of the company was completed at the start of 2006, and the merger with MWB AG will take place during the course of it. This merger should be smooth, C.J. Diederich GmbH being a reputable, profitable and highly specialized company. MWB will take over order book management for around 1,000 fixed income securities at the Berlin-Bremen Stock Exchange. We believe that this will bring higher commission volume in future, as well as a broader distribution of risks. In years in which equities slide, bonds tend to grow disproportionately. Our rapid agreement with C.J. Diederich GmbH shows that we are also reasonable when it comes to expansion. In addition, no mergers and acquisitions specialists were involved in the transaction therefore no brokerage fees were incurred.

Outlook

The first quarter of 2006 again offered better opportunities for trading than Q1 2005. The DAX climbed to its highest level since 2003 in January and didn't end its New Year rally until the end of February at slightly less than 6,000 points. We believe that the DAX will remain at around this level in the coming months, so that performance over the year will be around 15 %.
The importance of foreign stocks will tend to increase, above all because we anticipated uninterrupted interest from private investors. According to all forecasts, 2006 will bring record dividends, which the majority of capital investors will reinvest. Finally, however, 2006 will depend on market mood even more so than 2005. Excellent corporate earnings and advance consumption prior to the VAT increase on January 1, 2007 will most probably lift the stock markets higher in the second half of the year. In contrast, warning signals are to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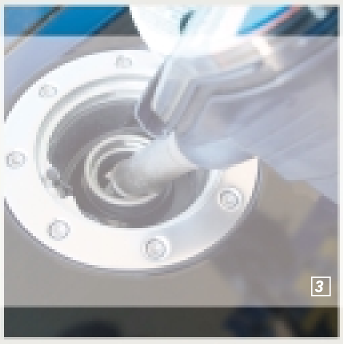
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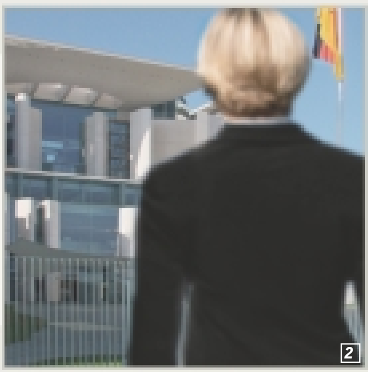
10 | 05

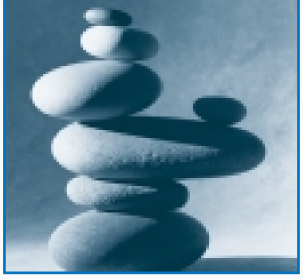
*1 China Construction Bank goes public – the world's largest IPO since 2001 · **2 60 years after its destruction, Dresden's Frauenkirche is reopened** · 3 Nine-month figures from Exxon and Shell break all records thanks to the high oil price* be seen in the high commodity prices and the stagnating US economy – not to mention the fact that the pace of reform in Germany has slowed down again. Relying on the underlying conditions alone would be like relying on fate alone.

In 2005, MWB already positioned itself to be able to face all eventualities. Our expansion to include the new market segments of bond trading and issuing provide us with securities for any setbacks in other areas. The integration of bond trading will be completed during the second quarter, so that commission income will already contribute to total earnings this year. We are forecasting organic growth for our IPO business with around two to three IPOs per year. We are currently conducting initial negotiations with prospective IPO candidates. That means that there's nothing to stop us from recording positive earnings again this year – as a company that is not only making its mark in its industry, but also enjoying economic success. Our signals are showing the way.



11|05

1 *MWB applies for an IPO license ·* ***2 Angela Merkel becomes Germany's first female chancellor · 3*** *Commerzbank becomes Germany's second largest bank with acquisition of Eurohypo*



Investor Relations

Share price sets signal

After a reserved start, MWB AG's share price increased steadily from April 2005. The share price is now at least starting to reflect the company's value for the first time in years. Our share price lagged in 2004 far behind its actual potential. However the closing price of EUR 3.30 on December 30, 2005 still offered scope for further increases, which was shown in the following quarter: In just a few weeks, MWB's shares passed the EUR 4.50 mark. That puts them at a four-year high and underscores our belief that the shares have, to date, been substantially undervalued. Assuming DAX performance of 10–15 % in 2006, we are expecting our share price to stabilize around at least EUR 5.50.

Showing presence

Awareness is playing an increasingly important role for both share prices and the acceptance of a company. After a period of consolidation and our strategic re-orientation in 2004 and 2005, we intend to send even stronger signals to the public in 2006.

That is why we are expanding our media contacts together with a new public relations partner and will be putting in appearances at even more events than previously. For example, we held an editorial tour and will participate in two analysts' conferences – although German public limited companies are only obliged to participate in one of these conferences. In so doing, we are bolstering the contacts which we made in 2005 as part of the "Smart Equities Conference" held by DVFA (Deutsche Vereinigung für Finanzanalyse und Asset Management – German financial analysis and asset management association) in Frankfurt. In addition to Frankfurt, MWB participated in 2005 in INVEST in Stuttgart at the Munich Stock Exchange's stand, and also took part in the "Small Cap Day" in Zurich. This pan-European investors' meeting was organized by Scherrer Asset Management, a Swiss company. And last but not least, we faced our investors' questions at our general meeting on July 12 and would be happy to have the opportunity to once again prove our trust at this year's general meeting on July 12.

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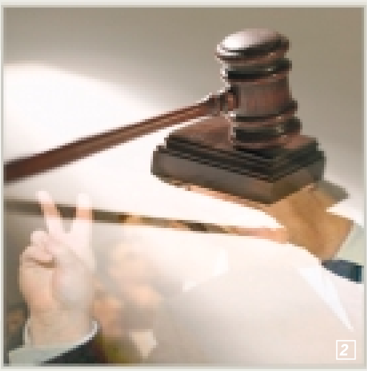

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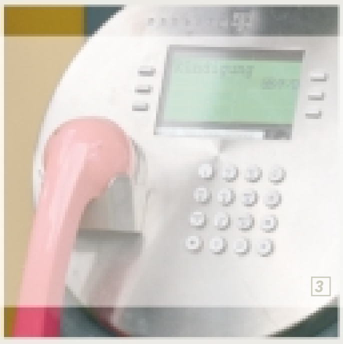

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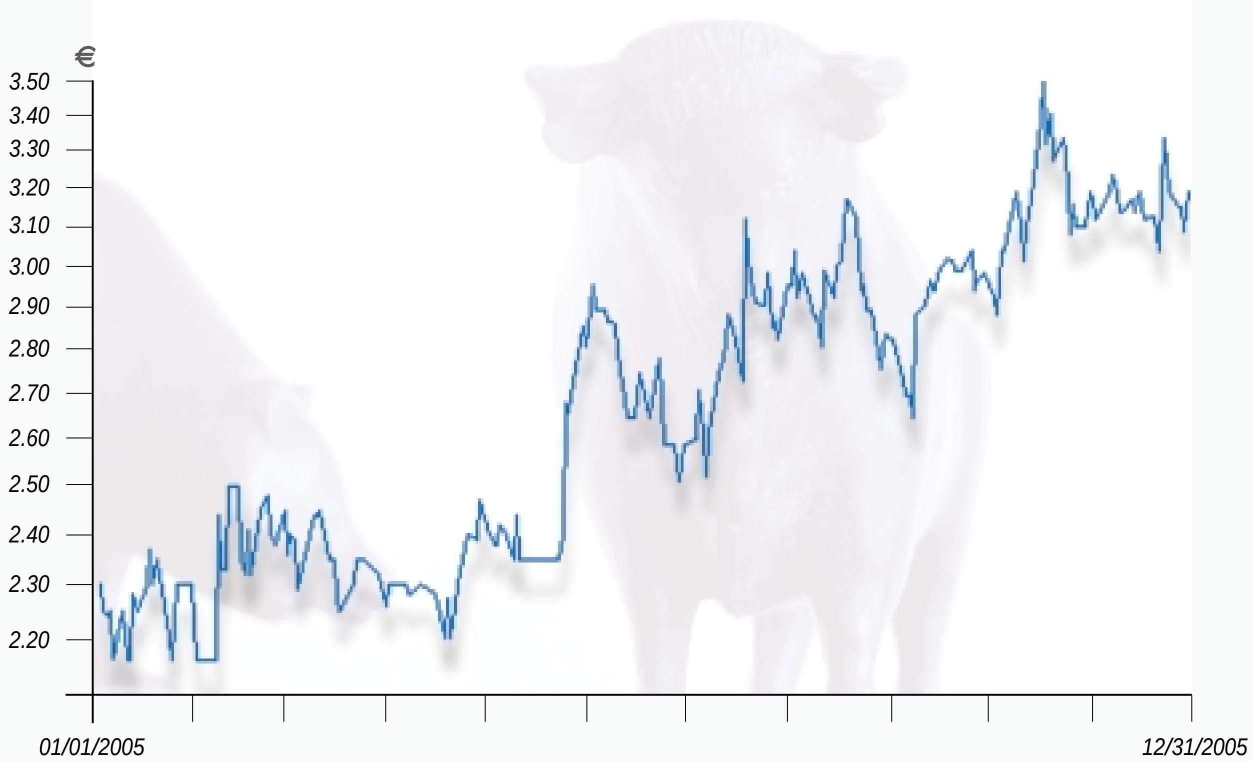
12 | 05

*1 Deutsche Bank closes its open-end real estate fund Grundbesitz-Invest · **2 The Federal Constitutional Court topples the acquittals announced in July in the Mannesmann case – the case is brought back to the court** · 3 Telekom's Supervisory Board approves 32,000 job cuts world wide, of which 19,000 are in Germany*

Performance of MWB's share price (€), Xetra

12/31/2005 (Close)	10/18/2005 (High)	01/26/2005 (Low)
€ 3.30	€ 3.65	€ 2.15



Price of MWB's shares from January 1, 2005 to December 31, 2005

2006 Schedule

Date	Topic	Place
02/28/2006	Publication of interim figures 2005	
03/18/2006	Nürnberger Börsentag	Nuremberg
03/31/–04/02/2006	INVEST	Stuttgart
04/26/2006	Publication of first quarter figures 2006	
07/12/2006	Annual Shareholder's meeting	Munich
07/24/2006	Publication of semiannual figures 2006	
10/23/2006	Publication of third quarter figures 2006	
4th quarter	Analysts conference	Frankfurt a.M.

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Contents Financial Section

The economic environment in fiscal year 2005

2005 brought almost all regions of the world substantial economic growth, although growth in the rest of the world was somewhat stronger than in Germany. On average, corporate earnings were higher than expected, and a continued high level of exports meant that share prices in Germany grew for the third consecutive year. German equities benefited in particular from the robust global economy, a weaker euro, the return of foreign investors, and a significant catch-up requirement to meet international competitors. Even the terrorist attacks in London, high commodities prices, and rising interest rates could not cause share prices to fall. For example, the DAX, the index of 30 blue chips in Germany, gained 27 % over the year, and was only surpassed by growth of the MDAX, which lifted 36 %. The Dow Jones brought up the rear among Western industrial nations, with annual performance of -0.6 %. The long-suffering US automotive sector heavily depressed the US stock market.

Over the course of 2005, more and more investors discovered commodities and commodities shares for their investments. Strong global demand for energy and metals caused the CRB commodities index to lift 14 %, the result of a mix of physical and speculative demand. The price increases for crude oil – up 35 % over the year – are a particularly notable feature. In August, prices even reached more than USD 70 per barrel. This strong demand stems, in particular, from India and China. These two countries will continue to drive the global economy in future.

Legal and organizational structure of MWB Wertpapierhandelshaus AG

MWB Wertpapierhandelshaus AG was formed in 1993 and is a bank within the meaning of section 1 (1) sentence 2 No. 4 (Financial Commission Business) and no. 10 (IPO Business) of the Kreditwesengesetz (KWG – German Banking Act). In addition, it has a license for brokering investments and transactions and for proprietary trading within the meaning of section 1 (1a) sentence 1 no. 1, no. 2 and no. 4 of the KWG. The company is subject to supervision by BaFin and the Deutsche Bundesbank.

The company's four founding members, including one current member of the Managing Board, indirectly (via FMNP Beteiligungs GmbH) and directly each hold 17.5 % of shares of MWB Wertpapierhandelshaus AG. The remaining 30 % of shares are held in free float.

As part of a strategic reorientation, the management of MWB Wertpapierhandelshaus AG broke down the company's activities in 2005 into Foreign Stocks and Institutional Customers. In addition, the company also conducts private asset management activities via its subsidiary MWB Baden GmbH in which it holds a 60 % interest.

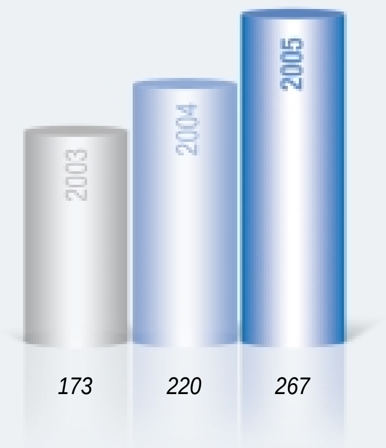
1. Course of business

On the whole, MWB Wertpapierhandelshaus AG's Managing Board is very pleased with business in 2005. Measures to cut costs, enhance the company's profile, and to structure its operating business into profit centers that were introduced at the end of 2004, coupled with the pleasing performance of the stock market, led to the first significantly positive annual earnings since 2000.

If we take a closer look at the year, we can see that the first and third quarters were particularly strong, whereas the sideward movement by the stock market in the second and quarter, and the write-downs of longer-term trading positions in the fourth quarter, caused earnings to be corrected.

Foreign Stocks

Specialist business for foreign stocks drove earnings at MWB Wertpapierhandelshaus AG in 2005. This area, together with proprietary trading in foreign stocks accounted for 70 % of MWB Wertpapierhandelshaus AG's



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

total earnings. It accounted for 35 % of commission income and 86 % of trading profits. A significant increase in turnover with foreign stocks in Germany from EUR 220 billion to EUR 267 billion showed, in particular in the second half of the year, that private investors were returning to this market segment. Interest last year focused on commodities shares. We consistently expanded proprietary trading last year, which accounted for 17 % of trading profits.

The number of shares we supported during the year could be increased from 2,463 to 2,778. The pioneering listing of 30 US REITs by MWB Wertpapierhandelshaus AG in March 2005 is worthy of particular mention. The company will pay closer attention to this sector in view of the discussions surrounding the introduction of REITs under German law. However, the attractiveness of specialist business was also increased by taking over the support of interesting new German IPO's such as Premiere AG and Q-Cells at the Munich Stock Exchange.

During the course of 2005, the increase in turnover and order numbers significantly improved the earnings/cost situation at MAX-ONE, the market model on the Munich Stock Exchange. This proves that the company's decision to retain its participation was correct. In spite of this, however, the company will continue to pay particular attention to the further development of MAX-ONE. The introduction of an electronic limit/control system on July 1, 2005 in order-book management at the Frankfurt Stock Exchange has paid off. The strong performance criteria are having a generally positive effect, and are attracting additional business. This means that trading opportunities for specialist firms are increasing. The new management at Deutsche Börse AG has fundamentally stated that it is in favor of floor and specialist trading. MWB Wertpapierhandelshaus AG's management welcomes both this development and the range of measures that have been taken.

Institutional Clients

While trading profits are the focus of Foreign Stocks, commission income provides the significant contribution to this division. For example, in 2005 this division recorded 21 % of total earnings and 44 % of total commission income of MWB Wertpapierhandelshaus AG compared to 2004 – a stable contribution.

Order Execution and Institutional Sales

Order Execution and Institutional Sales developed very differently in 2005. The increasing tendency to be seen among large banks – executing securities orders and, to a certain extent, the so-called AQR orders themselves – has led to a significant downturn in the contribution made by Institutional Sales. In contrast, order execution for regional banks at other stock exchanges made a pleasing contribution to earnings thanks to the return of retail customers to the stock markets. However, there is also an irreversible trend here towards placing orders at the respective stock exchange by themselves. MWB Wertpapierhandelshaus AG's management thus expects that the importance of this area will decrease continuously.

Supporting capital market transactions for small-cap issuers made a very positive contribution to the Institutional Customers division's earnings. For example, shares of SOLON AG were placed with investors in February 2005, totaling EUR 11 million. As part of a capital increase, a private placement totaling EUR 2.7 million was arranged for IFEX N.V. A convertible bond for SOLON AG was arranged and placed totaling EUR 42.3 million together with the US investment bank Jefferies. The replacement of shares of Theolia S.A. with a total value of EUR 6.2 million also contributed to the excellent earnings. MWB Wertpapierhandelshaus AG's management has acknowledged this positive growth and at the start of 2006 set up an independent profit center for capital markets business. This profit center is to be continuously expanded.

Number of international stocks sponsored by MWB

Designated Sponsoring

Over the course of 2005, the company increased the number of its designated sponsoring mandates to a current total of 8. We won IFEX N.V. and Wapme Systems AG at the start of 2005, and Theolia S.A., KP Renewables plc, and OPENLIMIT Holding AG during the course of the year. In February 2006, the designated sponsoring for ENRO AG got started, which was listed by MWB AG in December 2005 on the Open Market on the Frankfurt Stock Exchange.

Private Clients

MWB Baden GmbH

Fiscal year 2005 at MWB Baden GmbH, in which MWB Wertpapierhandelshaus AG holds a 60 % interest, was highly successful. The increased cooperation with so-called tied agents brought an increase in assets under management from EUR 20.7 million in 2004 to EUR 31.2 million in fiscal year 2005, with customer numbers increasing from 273 to 402.

2. Earnings

Commission income and trading profits

The positive mood on the stock markets in 2005, coupled with the significant increase in turnover and the return of retail customers, led to a significant increase in commission income of 47 %. This increased from EUR 1,656 thousand in 2004 to EUR 2,427 thousand in 2005. Whereas Institutional Clients made a key contribution to these earnings in the first half of the year, Specialist Business was the driver in the second six months. In total, during the course of the 2005, 44 % of commission income was recorded by Institutional Customers. Foreign Stocks contributed 35 %, Private Customers contributed 21 %.

Trading profits also increased in line with commission income – up 50 % from EUR 3,607 thousand last year to EUR 5,422 thousand. Order-book management and own-account trading in foreign stocks made the greatest contribution here. Increasing turnover in the order-books generally increases the opportunities for trading. In the fourth quarter, the financial result was impacted by write-downs for designated sponsoring stocks totaling EUR 205 thousand.

General administrative expenses

With effect from January 1, 2005, management cut the fixed-salaries of securities traders at MWB Wertpapierhandelshaus AG by approx. 20 % and simultaneously introduced a performance-related, profit-center based salary system. This means that our traders enjoy above-average earnings during high yield periods, and during periods of lower turnover, each trader makes a contribution to stabilizing the company. At the start of 2005, we also set the fixed annual remuneration of MWB Wertpapierhandelshaus AG's Managing Board at EUR 120 thousand per member. As a result of these two measures, together with the fact that the Managing Board has been cut to two members, the group's personnel expenses fell from EUR 2,565 thousand in 2004 to EUR 2,155 thousand in fiscal year 2005 – down 16 %.

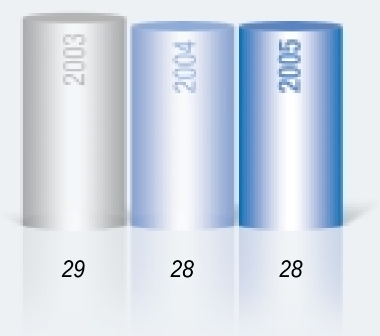
Other administrative expenses increased from EUR 5,031 thousand in 2004 to EUR 5,390 thousand in 2005 – a slight increase of 7 %. This is almost exclusively due to turnover-related expenses for settling securities transactions, which increased by EUR 412 thousand in 2005 compared to the previous year.

In total, the group's general administrative expenses thus declined slightly to EUR 7,545 thousand compared to EUR 7,597 thousand in 2004.

Provision for risks

During the past fiscal year, management at MWB Wertpapierhandelshaus AG has kept itself up to date on the economic developments and the situation of XCOM AG, in which the compa-

Trading and Commission Result in € thousand of MWB Group



Changes in the number of employees

ny holds a 12.4 % interest. Financial statements were presented each quarter, as were the provisional, un-audited financial statements as of December 31, 2005. 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

Business in the entire group was substantially expanded last year, with a significant increase seen in commission income and trading profits, while general administrative expenses were kept constant. The consolidated earnings from ordinary activities thus improved from EUR -1,935 thousand to EUR 1,017 thousand in 2005. This means that positive earnings were recorded again for the first time since 2000.

Net profit for the year

The consolidated net profit for the year improved accordingly from EUR -2,046 thousand to EUR 982 thousand in fiscal year 2005. Based on the adjusted net profit for 2005, the DVFA earnings per share totaled EUR 0.48, compared to EUR -0.20 in the previous year.

Unappropriated profit

The Managing Board of MWB Wertpapierhandelshaus AG resolved to subsequently change the equity item in the audited and adopted annual financial statements from 2004 – as is required for offsetting the considated loss with the capital reserves. This step has made it possible for the company to distribute dividends for fiscal year 2005. The adopted 2004 net profit remains in force unchanged.

The unappropriated profit in fiscal year 2005 thus increased to EUR 1,320 thousand after EUR 0 thousand in 2004.

3. Financial position

Total assets

Total assets increased to EUR 19,745 thousand in fiscal year 2005, compared to EUR 18,119 thousand in 2004. This increase is mostly due to the unappropriated profit.

Cash and cash equivalents

The management defines liquid funds exclusively as the balance of receivables and liabilities to banks. Accordingly, cash and cash equivalents increased during the fiscal year by EUR 2,490 thousand to EUR 12,852 thousand as of December 31, 2005, compared to EUR 10,362 thousand on December 31, 2004. Although management believes that MWB Wertpapierhandelshaus AG's liquidity position has significantly improved, it will – as in previous years – continue to attach great importance to ensuring the company's liquidity. HypoVereinsbank has taken on the standard industry directly enforceable guarantee totaling EUR 3,250 thousand for the company vis-à-vis the stock exchanges on which MWB Wertpapierhandelshaus AG is admitted to trading. As collateral security for this guarantee, the company holds a locked cash-deposit totaling EUR 500 thousand, and has pledged various current accounts and custodian accounts to HypoVereinsbank.

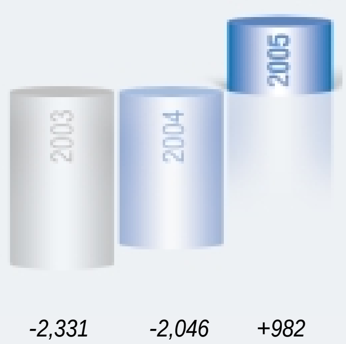
Equity

Equity increased to EUR 16,856 thousand during fiscal year 2005 compared to EUR 15,460 thousand in the previous year. The equity ratio on December 31, 2005 was thus unchanged at the high level of 85 %.

Interest in MWB Wertpapierhandelsbank GmbH

As a result of the non-fulfillment of the notarized purchase agreement dated June 29, 2004, 2005 was characterized by efforts to enforce the final judgment of the proceedings for a specified sum relying entirely on documentary evidence. Upon the failure of this, a

Profit from ordinary activities in € thousand



Net profit in € thousand

DVFA-Result per share in €

settlement was reached at the start of 2006 with the opposing party to cancel the purchase agreement and to pay compensation. As MWB Wertpapierhandelsbank GmbH had already discontinued its business operations on December 31, 2003, the 2005 net profits totaling EUR 5 thousand were mostly due to interest income.

MWB Wertpapierhandelsbank GmbH is being retained as a wholly-owned subsidiary to maintain greater strategic flexibility.

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. MWB Wertpapierhandelsbank GmbH discontinued its business operations as of December 31, 2003. 154 private asset management customers with assets managed totaling EUR 13.5 million were also transferred from MWB Wertpapierhandelsbank GmbH to MWB Baden GmbH as of January 1, 2004.

In both prior years, the assets under management and the number of customers enjoyed positive growth. As a result, the contribution made by MWB Baden GmbH to the total commission income totaling EUR 520 thousand was very satisfying.

The group’s management receives ongoing and comprehensive information on business developments at MWB Baden GmbH. Future-oriented decisions regarding the strategic, further development of MWB Baden GmbH will be made jointly with the two managing directors. As of December 31, 2005, MWB Baden GmbH recorded net income for the year of EUR 104 thousand after EUR 69 thousand in the previous year, thus making a positive contribution to group earnings.

Interest in XCOM AG

MWB Wertpapierhandelshaus AG holds a 12.4 % interest in the financial software company XCOM AG. This company, with its registered office in Willich, was formed in 1988 and is regarded as being one of the leading suppliers for e-business, e-banking, and trading support in the securities industry. During the course of 2003, XCOM AG took over the full-service banking activities of E-Trade Bank AG, Deutschland, renaming this wholly-owned subsidiary “XCOM Bank”. XCOM AG sold XCOM Bank to Wirecard AG with effect from January 1, 2006. The proceeds from the sale are due in fiscal year 2006. In December 2005, XCOM AG received a license to operate an additional, newly formed bank, BIW (Bank für Investments und Wertpapiere). This will take over the business of the former XCOM Bank. This step, together with a range of further strategic measures, means that XCOM AG has come significantly closer to reaching its target of becoming an insourcing partner for securities business for smaller and medium-sized banks. The MWB group’s management constantly and critically monitored the development of XCOM AG and the XCOM Bank and its industry environment in 2005. The contact with XCOM's management was open and trustworthy.

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.

In view of the turnaround achieved in 2005 and the forecasts made by stock-market experts on further market development, the outlook for 2006 as a whole is positive. Excellent corporate earnings, a record dividend season, and the advance consumption caused by the VAT increase will ensure that the stock markets remain friendly in the second half of 2006. The first two months already show that private investors are returning to the stock market for a sustained period, and that the low turnover experienced from 2001 to 2004 should no longer be reached even during periods of correction. As a result, the group’s management is forecasting stable, organic growth for fiscal year 2006 for MWB Wertpapierhandelshaus AG. At MWB Baden GmbH, a year of consolidation is expected after two years of strong growth. However, the two managing director’s of our 60 % subsidiary believe that they will be able to at least retain the excellent earnings recorded in 2005.

Despite these excellent conditions, MWB Wertpapierhandelshaus AG will continue to devote increased attention to the issues of cost control, stock market structures and, above all, achieving an ideal operating size. We believe that there is still room for improvement in all of our divisions. In addition to order-book management for foreign stocks, which we are expanding not only in terms of staff but also by increasing the number of stocks supported, order-book management for fixed-income securities is to be established as an independent division. Being granted a license to conduct IPO business will open up opportunities for MWB Wertpapierhandelshaus to offer companies a wide range of capital markets services. As a result of the new staff added on January 1, 2006, we are optimistic that we will be able to support a medium-sized company’s IPO, together with a capital increase for Enro AG, during the first half of 2006.

With these measures, MWB Wertpapierhandelshaus AG considers itself well-equipped to record positive earnings in 2006 as well, thus sustainably securing the company’s continued existence.

5. Key events after the balance sheet date of December 31, 2005

License to conduct IPO business

On November 15, 2005, MWB Wertpapierhandelshaus AG submitted its application to BaFin for a license to conduct IPO business within the meaning of section 1 (1) sentence 2 no. 10 of the KWG. The increasing importance of support for capital market transactions and, in particular, the recovering IPO market in Germany played a key role in this decision. MWB Wertpapierhandelshaus AG was issued this license on January 23, 2006. IPO Business will fall under the Capital Market Business profit center, and will be allocated to the Institutional Clients division within the company. New staff were added already in January 2006.

Acquisition of C.J. Diederich Wertpapierhandelsgesellschaft mbH

By way of a notarized agreement dated February 10, 2006, MWB Wertpapierhandelshaus AG acquired a 100 % interest in C.J. Diederich Wertpapierhandelsgesellschaft mbH retroactive to January 1, 2006. The company is a specialist firm for approx. 1,000 fixed-interest securities at the Berlin-Bremen Stock Exchange. This profitable company has three employees and is to be merged with MWB Wertpapierhandelshaus AG during the course of 2006. The management of MWB Wertpapierhandelshaus AG sees this step not only as an entrance to the realm of bond trading, but also as an important signal to the industry.

6. Risk report

Corporate strategy

Entrepreneurship means recognizing and exploiting opportunities for shareholders, employees, and for the company. But some opportunities also bring with them a host of risks. Identifying and controlling these is critical in meeting the company's highest objectives: the securing of the company's continued existence and the safeguarding of the assets entrusted to MWB.

The success of a company's strategy must be measured by the results. That is why we have placed profitability clearly in the forefront. This goal can only be achieved over the long term if we succeed in exploiting opportunities by taking on risks, and thus increasing the value of the company. However, commercial risks will only consciously be assumed if the opportunity outweighs the risk, this making the risk controllable.

Our strong capitalization, the integrated risk management system, a lived proximity to the market, and our strong knowledge of risk means that we can operate flexibly in all of our divisions, and deal innovatively with the challenges the future poses. In the strategic management of our company, purely financial aspects play a major role, as do non-financial factors such as process efficiency, increasing transparency, and employee satisfaction within the company.

Risk strategy

Our risk strategy is to safeguard our company's targets against disturbing events by taking suitable measures. 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 optimize risk positions. The company's risk control is structured in a way that emphasizes the prevention of unavoidable risks. In this case, 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 conducted centrally for all branches of MWB Wertpapierhandelshaus AG by the group's financial control department based in the company's headquarters in Gräfelfing, and is subject to an annual review by our auditors to ensure that this corresponds to the requirements of the Gesetz zur Kontrolle und Transparenz im Unternehmensbereich (KonTraG – Act on Control and Transparency in Business).
MWB Baden GmbH is included in risk control, with risks that result directly from customer business being monitored directly by MWB Baden GmbH.

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 investment and contracts, 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 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 adherence to large loan limits and the company's internal guidelines for risk avoidance, thereby continually developing methods and systems to manage risk. The basis for dealing permanently and systematically with risks is found in the guidelines and decisions on risk tolerance made by the Managing Board, these being derived from the risk strategy and risk policy and geared to the company's capitalization and liquidity.

Given the company's large number of transactions, an efficient risk control must be able to rely on a highly developed computer system. 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 equity 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 own-account 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 reviews the income and expenses from the company's core business on a daily basis. After subjecting the monthly figures to a feasibility check, the CFO then issues a written, monthly opinion on general growth, select P&L items, and the liquidity situation. The report is circulated amongst the board members and is presented to the members of the Supervisory Board for their attention.

In the area of operational risks, which can be caused by workflows, persons, technology, or external events, existing risks are consistently being lessened by a multi-faceted, cause-related risk management system.

The company also attaches great value to keeping up to date of changes to the stock-market environment, investor behavior, and any statutory modifications 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 being continuously monitored and reviewed at regular intervals. In addition, the risk management system is subjected to ongoing development. The company attaches particular value to involving the company's individual employees, who are asked to communicate any recognizable risks to the risk manager.

To date, the company has identified the following risks:

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

Strategic risks

Strategic risks result when our strategy is not in line with the requirements and expectations of the markets, our customers, or the underlying economic conditions and this goes unnoticed by the company's management. To avoid this risk, we carefully assess the strategic risks at regular, short intervals. The Managing Board communicates regularly on this issue with the Supervisory Board, which is actively involved in defining strategic objectives and monitoring the risk content of the strategic planning processes together with the Managing Board.

It is very risky for any company to hang on to that which has been tried and tested in the past, thereby failing to recognize new business opportunities. In this connection, the company is very much aware of the danger of the increasing dominance of electronic trading over the specialist system. We are nevertheless confident that specialist firms will not be completely forced out of the system 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 make the prices. The MAX-ONE trading system, which has been successfully established at the Munich Stock Exchange, works on this basis. MWB Wertpapierhandelshaus AG played a key role in designing and setting up this system. The company counters the dangers of a business division breaking away, or of customers migrating, by spreading its business over diverse, mutually independent areas and by its constant efforts to increase the number of customers.

Counterparty default risks

We define counterparty default risks as the possible loss of value that would arise if the counterparty defaults or if their creditworthiness declines.
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, market valuation, and 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 from the change of prices for our positions on the financial markets.
The company's trading positions receive IT support, are continually subject to a current, daily valuation at average prices, and are continuously standardized in comparison to market prices.
The volume of the own-account positions is limited by own-account ceilings. These own-account ceilings ensue from the guarantee deposited with the respective stock exchange. In addition, the own-account ceilings are limited by the requirements of the Kreditwesengesetz (German Banking Act) and the work directives governing 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 being informed at least twice daily on the largest unrealized profits and losses from these transactions and on the existing option transactions.

Liquidity risks

The primary goal of our liquidity management is to ensure that the company is capable of making 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.

Thanks to last fiscal year's positive earnings, the company has excellent liquidity, which was also bolstered by the consistent implementation of a broad-scale cost-cutting program in 2005.

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, in addition to a D&O insurance policy, a commercial fidelity insurance policy and a third party liability insurance policy for pecuniary loss. 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); customers are also 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 in the customer file.

- Statutory regulations
MWB Wertpapierhandelshaus AG is subject to comprehensive reporting requirements and other statutory regulations, in particular those imposed by 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 complied with.
These statutory regulations are monitored by the respective employees using a reporting schedule that is continuously being updated.

Personnel risks

Personnel risks include all risks which result from using 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 can be accessed by all employees. This manual includes information on the work to be performed by the individual positions, detailed descriptions of key business processes, and the compliance concept.

Employees who deal with confidential information are informed in writing of the legal obligations which result from their access to insider information, and of the legal consequences of any violations. Employees confirm that they have received this letter of explanation and are listed in the directory of insiders, which is kept in compliance with section 15b of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act).

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

The risk of frequent staff changes is being reduced through agreeing on appropriate remuneration models.

Other operating risks

The other operating risks include factors affecting our business operations that are outside our control.
The company has prepared an emergency plan to deal with other operating risks, and all employees are aware of it. 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 system of daily, weekly and monthly data backups 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 that automatically reports serious problems in the computer center (flooding, heat, smoke).
The company engaged has prepared comprehensive documentation for our entire IT systems, which means that third parties can quickly obtain information on our IT equipment if necessary. 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. Transmission line disruptions will be dealt with through a supplementary device back-up system.

Gräfelfing, March 2006
The Managing Board

Consolidated Balance Sheet in accordance with International Financial Reporting Standards

as of December 31, 2005

Assets

	Notes	2005 TEUR	2004 TEUR	Changes in TEUR	Changes in %
Receivables from banks	(5); (6); (26)	13,274	10,551	2,723	25.8
Assets held for dealing purposes	(7); (27)	775	1,990	-1,215	-61.1
Financial assets	(8); (28)	2,436	2,436	0	0.0
Property, plant and equipment	(10); (30)	327	382	-55	-14.4
Intangible assets	(9); (29)	215	254	-39	-15.4
Deferred tax assets	(14); (31)	1,280	1,277	3	0.2
Other assets	(15); (31)	1,438	1,229	209	17.0
Total assets		**19,745**	**18,119**	**1,626**	**9.0**

Liabilities and equity

	Notes	2005 TEUR	2004 TEUR	Changes in TEUR	Changes in %
Liabilities to banks	(5); (11); (32)	423	190	233	122.6
Liabilities from dealing activities	(12); (33)	18	11	7	63.6
Provisions	(13); (34)	844	807	37	4.6
Deferred tax liabilities	(14); (35)	132	207	-75	-36.2
Other liabilities	(15); (35)	1,472	1,342	130	9.7
Minority interest	(36)	-	102	-102	-100.0
Equity	(36); (37)	16,856	15,460	1,396	9.0
Subscribed capital		4,983	4,983	0	0.0
Capital reserves		3,945	3,945	0	0.0
Retained earnings		8,506	8,885	-379	-4.3
Revaluation surplus		0	0	0	0.0
Depreciation of own shares		-2,042	-2,353	311	13.2
Consolidated profit		1,320	0	1,320	100.0
Minority interest		144	-	144	100.0
Total liabilities and equity		**19,745**	**18,119**	**1,626**	**9.0**

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

for the period from January 1 to December 31, 2005

	Notes	2005 TEUR	2004 TEUR	Changes in TEUR	Changes in %
Interest income	(17)	372	326	46	14.1
Interest expenses	(17)	-8	-2	-6	-300.0
Net interest income	(17)	**364**	**324**	**40**	**12.3**
Commission income	(18)	3,650	2,352	1,298	55.2
Commission expenses	(18)	-1,223	-696	-527	-75.7
Net commission income	(18)	**2,427**	**1,656**	**771**	**46.6**
Trading Income	(19)	12,051	7,236	4,815	66.5
Trading Expenses	(19)	-6,629	-3,629	-3,000	-82.7
Trading Profit	(19)	**5,422**	**3,607**	**1,815**	**50.3**
Net income from financial assets	(20)	**0**	**0**	**0**	**0.0**
Administrative expenses	(21)	-7,545	-7,596	51	0.7
Balance of other income / expenses	(22)	349	74	275	371.6
Profit from ordinary activities		**1,017**	**-1,935**	**2,952**	**152.6**
Income taxes on the profit from ordinary activities	(14); (23)	-35	-111	76	68.5
Net profit	(24)	**982**	**-2,046**	**3,028**	**148.0**
Minority interest of net profit		-41	-27	-14	-51.9
Net profit without minority interest		**941**	**-2,073**	**3,014**	**145.4**
Loss carried forward from previous year		0	-18,673	18,673	100.0
Loss carried forward for MWB Baden GmbH		0	0	0	0,0
Withdrawal from capital reserves		0	20,880	-20,880	100.0
Withdrawal from/addition to retained earnings		379	-134	513	382.8
Consolidated profit		**1,320**	**0**	**1,320**	**-**
Earnings per share					
Diluted earnings per share	(25)	0.20	-0.42		147.6
Basic earnings per share	(25)	0.20	-0.42		147.6

Statement of Changes in Equity

for the period from January 1 to December 31, 2005

	Notes	2005	2004
	(36); (37)	TEUR	TEUR
Equity as of January 1		**15,460**	**17,522**
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		3,945	24,825
Withdrawal from capital reserves		0	20,880
Balance as of December 31		3,945	3,945
Retained earnings			
Balance as of January 1		8,885	8,751
Withdrawal from/addition to retained earnings		-379	134
Balance as of December 31		8,506	8,885
Own shares			
Balance as of January 1		-2,353	-2,364
Change		311	11
Balance as of December 31		-2,042	-2,353
Consolidated profit			
Balance as of January 1		0	-18,673
Net profit/loss		982	-2,045
Addition to capital reserves		0	20,880
Withdrawal from/addition to retained earnings		379	-134
Minority interest of net profit		-41	-28
Balance as of December 31		1,320	0
Minority interest			
Balance as of January 1		0	0
Change		144	0
Balance as of December 31		144	0
Equity as of December 31		**16,856**	**15,460**

Consolidated Cash Flow

for the period from January 1 to December 31, 2005

	Year TEUR	Prev. year TEUR
Consolidated net profit	941	-2.073
Adjustments to the reconciliation of the consolidated net profit to the cash flow from operating activities		
Depreciation, write-downs and write-ups on receivables		
Intangible assets, property, plant and equipment and financial assets	197	222
Changes in long-term provisions	37	71
Loss from the disposal of financial assets	0	0
Minority interest	41	28
Other adjustments (balance)	-143	-191
	1.073	-1.943
Change in assets and liabilities from ordinary activities		
Change in customer receivables	-128	27
Change in trading position	1.222	-1.101
Change in other assets from operating activities	-83	-194
Change in other liabilities from operating activities	55	244
Received interest and dividends	222	238
Interest paid	-8	-2
Income taxes received	-100	-26
Cash flow from operating activities	2.253	-2.757
Proceeds from disposal of financial assets	0	0
Investments in intangible assets and property, plant and equipment	-105	-211
Investments in financial assets	0	0
Change in cash flow from other investing activities	0	0
Cash flow from investing activities	-105	-211
Net change in purchases and sales of own shares	342	-11
Dividends paid	0	0
Cash flow from financing activities	342	-11
Change in cash and cash equivalents	2.490	-2.979
Cash and cash equivalents – start of period	6.611	9.590
Cash flow from operating activities	2.253	-2.757
Cash flow from investing activities	-105	-211
Cash flow from financing activities	342	-11
FCash and cash equivalents – end of the period	9.101	6.611

The deposit investments deposited as collateral for default guarantees and other collateral for securities settlement totaling EUR 3,750 thousand (note 45) are not considered to be liquid funds when calculating the cash and cash equivalents.

Notes to the consolidated financial statements

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.

We have prepared the consolidated financial statements in line with International Financial Reporting Standards (IFRS) according to EU directive no. 1606/2002 by the European Parliament and Council dated July 19, 2002 as part of the EU endorsement in connection with section 315a of the Handelsgesetzbuch (HGB – German Commercial Code). IFRS include the standards referred to as IFRS as well as International Accounting Standards, the Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the former Standing Interpretations Committee (SIC). Section 315a of the HGB includes the national provisions which continue to apply to capital markets companies in addition to IFRS.

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 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 2005.

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.

During fiscal year 2005 the IFRS were applied, which form the so-called stable platform and whose application is mandatory for fiscal years starting on or after January 1, 2005. To the extent relevant for our company's activities, the following of these standards were first applied in fiscal year 2005:

IAS 1	Presentation of Financial Statements
IAS 8	Accounting policies, changes in accounting estimates and errors
IAS 10	Events after the balance sheet date
IAS 16	Property, plant and equipment
IAS 24	Related Party Disclosures
IAS 27	Consolidated Financial Statements and Accounting for Investments in Subsidiaries according to IFRS
IAS 28	Shares in affiliated companies
IAS 32	Financial instruments: disclosure and presentation
IAS 33	Earnings per share
IAS 36	Impairment of Assets
IAS 38	Intangible assets
IAS 39	Financial instruments: recognition and measurement

We have initially not applied any of the standards newly issued or reworked by the IASB which are only to be compulsorily applied from the end of fiscal year 2005. 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 prepared for the first time according to §292a HGB from December 31, 2002. The material differences to IFRS accounting, valuation and consolidation methods are shown in comparison to the German accounting standards.

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.

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 IFRS balance sheet.

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 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 IAS 32.

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, 2005 include MWB Wertpapierhandelshaus AG as the parent company and the wholly-owned subsidiary MWB Wertpapierhandelsbank GmbH, Gräfelfing as well as its 60% subsidiary MWB Baden GmbH, Offenburg.

(3) Consistency

We consistently apply accounting, valuation and disclosure methods in line with the IFRS framework concept. There were changes compared to the previous year resulting from changes made to the respective standards with regard to the treatment of goodwill from MWB Baden GmbH (Note 9, 29) and the disclosure of minority interests in MWB Baden GmbH (Note 36).

(4) Principles of consolidation

With regard to full 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 were measured at their proportionate fair value. The assets and liabilities of the acquired company are measured at their proportionate fair value. We carry any remaining positive difference as goodwill on the balance sheet under intangible assets.

Business relationships within the group of consolidated companies are eliminated. As a rule, intra-group interim earnings are eliminated.

(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 less the deposit investments deposited as collateral for default guarantees and other collateral for securities settlement. Cash and cash equivalents are carried at their face value.

(6) Receivables from banks

Receivables from banks relate to overnight and fixed-term deposits, receivables from dividends, interest and commission as well as receivables from the sale of securities and refunds.
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.
The redemption prices for listed securities were taken from the Bundesverband Deutscher Banken for valuation purposes. One non-listed security was valued at the price provided by the investment company on the last day of trading.
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.

(9) Intangible assets

Goodwill, software and licenses are carried under intangible assets.

According to IAS 36, goodwill is no longer subject to scheduled amortization. Last year, scheduled amortization totaled EUR 5 thousand.
We have allocated the goodwill from the initial consolidation of the 60 % interest in MWB Baden GmbH to the asset management segment as the cash-generating unit. At a segment level, we review goodwill for impairment at least once a year. In so doing, we compare the book value of the segment with the maximum amount that can be generated from the value in use and the fair value less selling costs. When calculating the value in use, we have used an interest rate of 8.5 % for discounting purposes. We

have not assumed any growth factor for perpetuities based on the 2005 financial statements. The selling costs are based on empirical figures.

Software and licenses are carried at their acquisition costs, less scheduled amortization.
The acquisition costs of intangible assets are calculated in line with IAS 38.

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 software and licenses is in line with its useful life, 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. Software is written down over an expected useful life of three years, and licenses are written down over an expected useful life of 8 years, as these have a limited useful life.
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.
No non-scheduled amortization/depreciation was necessary in fiscal year 2005.
Amortization/depreciation is shown under general administrative expenses.

(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. 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 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.
No non-scheduled amortization/depreciation was necessary in fiscal year 2005.
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, securities purchases, price differences, settlement 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). All liabilities from dealing activities are carried as a liability at their fair value. 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.

Provisions for pensions are formed on the basis of actuarial surveys in line with IAS 19. 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 4.5 % (previous year: 5 %). The interest rate in the calculations is based on the long-term interest rate for top-quality fixed-interest industrial bonds on the balance sheet date. As in the previous year, the presumed retirement age was 65 years.

According to IAS 19, 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).

The actuarial gains and losses are dealt with using the corridor method in IAS 19: that means that they are to be booked as income in the coming years if the gains and losses which have accrued by the balance sheet date exceed 10 % of the maximum of the cash value of the accrued pension claims and the assets of any external pension institution.

(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.

Deferred tax assets were carried as a result of unused tax loss carryforwards, to the extent permitted by IAS 12. The deferred tax assets disclosed relate to the loss carryforward totaling EUR 1,250 thousand and temporary differences for trading liabilities totaling EUR 7 thousand.

(15) Other Liabilities

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. These mostly relate to liabilities from outstanding invoices. 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.

(16) Currency Translation

Currency is translated in line with IAS 21. This means that monetary assets and liabilities not denominated in the respective functional currency (generally the respective national currency) and cash transactions not processed on the balance sheet date are, as a rule, translated to euros using market rates on the balance sheet date. Non-monetary assets and liabilities that are measured at fair value are also translated to euros on the balance sheet date using market rates. Non-monetary assets and liabilities that are carried at acquisition cost are carried using the exchange rate used for their acquisition. Income and expenses that result from currency translation at the individual group companies are, as a rule, reflected in the corresponding items of the income statement.

Notes on the Profit and Loss Account

(17) Net interest income

	2005 TEUR	2004 TEUR
Interest income	**372**	**326**
From loans and money market transactions	372	326
Interest expenses	**-8**	**-2**
Total	**364**	**324**

(18) Net commission income

	2005 TEUR	2004 TEUR
Commission income	**3,650**	**2,352**
Thereof: Brokerage income	1,405	999
Other commission income	2,245	1,353
Commission expense	**-1,223**	**-696**
Thereof: Brokerage expense	-276	-199
Other commission expense	-947	-497
Total	**2,427**	**1,656**

The brokerage income and expense results from brokerage for investments and contracts. The other commission income was mostly recorded by Asset Management totaling EUR 691 thousand (previous year: EUR 491 thousand) and from the placement of shares totaling EUR 755 thousand (previous year: EUR 253 thousand) and from transactions with institutional customers totaling EUR 750 thousand (previous year: EUR 609 thousand). Commission expenses from transactions with institutional customers totaled EUR 368 thousand (previous year: EUR 307 thousand), placement commission totaled EUR 387 thousand (previous year EUR 135 thousand) and commission for Asset Management totaled EUR 172 thousand (previous year: EUR 49 thousand). The other commission expenses include brokerage and guarantee commission.

(19) Trading Profit

	2005 TEUR	2004 TEUR
Income from finance transactions	**12,051**	**7,236**
from securities*	858	371
from price differences in open transactions	11,193	6,865
Expenses from finance transactions	**-6,629**	**-3,629**
from securities	-952	-520
from price differences in open transactions	-5,677	-3,109
Total	**5,422**	**3,607**
* including dividend income allocable to trading activities:	2	24

According to IAS 32, profits realized from trading in treasury stocks are not carried in the income statement. The corresponding results are taken into account as a separate equity item.

(20) Income from financial assets

During the year under review as in the previous year there were no results from non-trading assets.

(21) Administrative expenses

	2005 TEUR	2004 TEUR
Personnel expenses	**-2,155**	**-2,565**
Wages and salaries	-1,873	-2,253
Social security contributions	-245	-241
Pension costs	-37	-71
Other administrative expenses	**-5,390**	**-5,031**
Thereof depreciation and amortization		
for intangible assets	-72	-78
for goodwill	0	-6
for operating and office equipment	-118	-130
Total	**-7,545**	**-7,596**

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

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

	2005 TEUR	2004 TEUR
Other income		
Other income from ordinary activities	349	89
Other expenses		
Other expenses from ordinary activities	0	-15
Total	**349**	**74**

Other income and expenses from ordinary activities mostly comprises income from the reversal of provisions totaling EUR 73 thousand (previous year: EUR 37 thousand) as well as income from capital market support services totaling EUR 29 thousand (previous year: EUR 0 thousand) and income from support agreements as part of our activities as a designated sponsor totaling EUR 198 thousand (previous year: EUR 50 thousand) and from a share listing totaling EUR 60 thousand (previous year: EUR 0 thousand). Losses from receivables totaled EUR 15 thousand in the previous year.

(23) Income taxes on the result from ordinary activities

	2005 TEUR	2004 TEUR
Actual taxes	-144	-40
Deferred taxes	109	-71
Total	**-35**	**-111**

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 2005 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 109 thousand (previous year: EUR -71 thousand).

The following table shows the relationship between the income taxes derived from the pre-tax earnings and the income taxes for fiscal year 2005 disclosed in the profit and loss account (reconciliation statement). The derived income taxes are based on total taxation in Germany: corporation tax, trade tax and the solidarity surcharge together totaling 38.65 %.

	2005 TEUR	2004 TEUR
Anticipated taxation	-393	748
Other off-balance sheet differences	-35	-12
Tax rate effect	26	21
Tax from previous year (from income statement)	-46	-7
Non-capitalized losses from current year	413	-861
Disclosed income taxes	**-35**	**-111**

(24) Net profit

The net profit totaling EUR 982 thousand will be corrected for minority interests in the net profit (EUR 41 thousand). After taking appropriations to revenue reserves into account (EUR 379 thousand), this results in consolidated profits totaling EUR 1,320 thousand.

(25) 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:

	2005	2004
Net income for the year in EUR thousand	941	-2,073
Average number of shares in circulation	4,824,774	4,902,315
Number of shares including increases that resulted or could result from subscription rights granted	0	0
Diluted earnings per share (with amortization of goodwill)	0.20	-0.42
Basic earnings per share (with amortization of goodwill)	0.20	-0.42

Notes to the balance sheet

(26) Receivables from banks

	2005 TEUR	2004 TEUR
Demand receivables from banks	9,354	6,651
Other receivables from banks	3,920	3,900
Receivables from domestic banks	**13,274**	**10,551**

(27) Assets held for dealing purposes

	2005 TEUR	2004 TEUR
Equities and other variable income securities		
Equities	463	1,438
Other	312	552
Thereof: securities negotiable on the stock exchange	463	1,475
Thereof: listed securities	463	1,438
Total	**775**	**1,990**

(28) Financial assets

	2005 TEUR	2004 TEUR
Equities and other variable income securities		
Equities	2,436	2,436
Thereof: securities negotiable on the stock exchange	2,436	2,436
Total	**2,436**	**2,436**

This relates, as in the previous year, to an interest in a non-listed company (XCOM AG, Willich) in the amount of 12.4 %.

The following table shows the growth of the financial assets:

	Financial assets TEUR
Acquisition/historical cost	
As of January 01, 2005	10,484
As of December 31, 2005	10,484
Amortization/depreciation	
As of January 01, 2005	-8,048
As of December 31, 2005	-8,048
Book values	
As of December 31, 2004	2,436
As of December 31, 2005	2,436

(29) Intangible assets

	Goodwill TEUR	Software and licenses TEUR
Acquisition/historical cost		
As of January 01, 2005	49	439
Additions	0	34
Disposals	0	-41
As of December 31, 2005	49	432
Amortization/depreciation		
As of January 01, 2005	0	-234
Current depreciation	0	-73
Disposals	0	41
Stand 31. Dezember 2005	0	-266
Book values		
As of December 31, 2004	49	205
As of December 31, 2005	49	166

Amortization of intangible assets is disclosed under other administrative expenses.

(30) Property, plant and equipment

	Office and operating equipment TEUR
Acquisition/historical cost	
As of January 01, 2005	1,169
Additions	71
Disposals	-109
As of December 31, 2005	1,131
Abschreibungen	
As of January 01, 2005	-787
Current depreciation	-124
Disposals	107
As of December 31, 2005	-804
Buchwerte	
As of December 31, 2004	382
As of December 31, 2005	327

No non-scheduled depreciation was necessary in fiscal year 2005.

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

(31) Other assets

	2005 TEUR	2004 TEUR
Other assets		
Tax overpayments	28	36
Claims from reinsurance	1,102	950
Commission receivables	10	74
Receivables from customers	135	7
Other assets	163	162
Total	**1,438**	**1,229**

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

	2005 TEUR	2004 TEUR
Deferred tax assets	**1,280**	**1,277**

(32) Liabilities to banks

	2005 TEUR	2004 TEUR
Liabilities to domestic banks	**423**	**190**

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

(33) Liabilities from dealing activities

Trading liabilities comprise the positions still open from open transactions on the settlement date totaling EUR 18 thousand (previous year: EUR 11 thousand).

(34) Provisions

MWB has issued direct pension commitments to the founding members of MWB Wertpapierhandelshaus AG's Managing Board. The pension plans are performance-oriented and independent of salary payments.
The company recognized the adjustment to the net cash value of the liability in income in the provision for pensions.

This results in the following financing status:

	12/31/2005 TEUR	12/31/2004 TEUR
Reconciliation of the net cash value of the commitment to the pension provision:		
Net cash value of the commitment	1,418	1,274
Non-recorded underwriting profits/losses	-574	-467
Provision for pensions	844	807
Change in the provision for pensions		
Provision for pensions January 1	807	736
Expense for pension benefit	37	71
Ongoing service cost	12	43
Interest	57	59
Amortization of non-recorded underwriting profits/losses	20	21
Curtailment in pension commitments	0	0
Benefits	-52	-52
Provision for pensions December 31	844	807
Change in the provision for repurchase values:		
Repurchase value January 1	859	788
Increase	37	71
Repurchase value December 31	896	859

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

(35) Other liabilities

	2005 TEUR	2004 TEUR
Deferred liabilities	1,030	976
Other liabilities	442	366
Total	**1,472**	**1,342**

We also use deferred liabilities to carry current liabilities from outstanding invoices, from employees from vacation entitlements and tax provisions.

The other liabilities mainly comprise trade payables, and liabilities for employee income tax and social insurance.

(36) Equity

The subscribed capital and authorized capital has changed as follows:

	2005 TEUR	2004 TEUR
Subscribed capital		
Balance as of January 1	4,983	4,983
Balance as of December 31	4,983	4,983
Authorized capital		
Balance as of January 1	2,491	2,491
Balance as of December 31	2,491	2,491

As of December 31, 2005, 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 (note 37) is disclosed on the balance sheet as a deduction 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.

Minority interests in subsidiaries is carried for the first time in fiscal year 2005 under equity on the consolidated balance sheet under the item Minority Interests.

(37) Own shares

On the balance sheet date, the company held a stock of 1,140 own shares with a theoretical par value of EUR 4 thousand (0.02 % of the share capital). In total, 34,304 own shares were bought and 149,691 own shares were sold during 2005. The average acquisition price totaled EUR 2.36, the average selling price totaled EUR 2.84. The stock of own shares is disclosed on the balance sheet as a deduction from equity.

In line with IAS 32, no income or expense from dealing in own shares is shown in the profit and loss account of the IFRS consolidated financial statements. The result from trading in own shares totaling EUR 84 thousand was carried in the capital reserve and is not reflected in income.

The stock of own shares is deducted from equity at book values.

MWB Wertpapierhandelshaus AG was authorized by the General Meeting on July 12, 2005 to acquire own shares before January 11, 2007 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

(38) 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.

A financial asset, which does not have a listed market price on an active market, is valued based on EBIT and sales multiples for peer companies. As of December 31, 2005, this results in a market price of between EUR 1,334 thousand and EUR 3,693 thousand for the interest in XCOM AG.

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, 2005.

Notes to the cash flow statement

(39) 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. 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 "Net cash provided by financing activities" was calculated based on the actual purchase prices achieved and sale prices paid during the fiscal year.

	2005 TEUR	2004 TEUR
Reconciliation of cash and cash equivalents to the balance sheet item:		
Receivables from banks	13,274	10,551
Liabilities to banks	-423	-190
Deposits for securities settlement	-3,750	-3,750
Cash and cash equivalents – end of period	**9,101**	**6,611**

The deposit investments deposited as collateral for default guarantees and other collateral for securities settlement totaling EUR 3,750 thousand (note 45) are not considered to be liquid funds when calculating the cash and cash equivalents.

Notes on segment reporting

(40) 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 Group's 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 most of our sales are recorded in Germany.

	Specialist business, Securities trading TEUR	Asset management TEUR	Consolidation TEUR	Group TEUR
Net interest income	347	17		364
Net commission income	1,907	520		2,427
Trading profit	5,422	0		5,422
Result from financial assets	0	0		0
Personnel expenses	1,921	234		2,155
Scheduled amortization of intangible assets and depreciation of property, plant and equipment	180	17		197
Other administrative expenses	5,073	120		5,193
Balance other operating income/expenses	346	3		349
Net income for the year by segments	886	109	-54	941
Net assets	19,411	1,191	-857	19,745
Liabilities	2,797	95	-3	2,889
Risk items	7,563	0		7,563
Allocated capital	16,614	1,096	-854	16,856
Expense/income ratio	91.74	71.85		90.50

Other notes

(41) 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. 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. A settlement was concluded on January 18, 2006, whereby the purchase agreement was rescinded and a lump-sum damages payment for non-fulfillment totaling EUR 40,000.00 was imposed.

(42) Related parties

See the notes under (47).

(43) Classification of residual terms

	Up to 1 month		Up to 3 months	
	12/31/2005	12/31/2004	12/31/2005	12/31/2004
	TEUR	TEUR	TEUR	TEUR
Receivables				
Receivables from customers	135	7	0	0
Limited-term receivables from banks	13,274	10,551	3,900	0
Liabilities				
Limited-term liabilities to banks	423	190	0	0

(44) 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, 2005.

The annual payment commitments from rental contracts and other service contracts had the amounts and maturities shown in the following table:

	31.12.2005	31.12.2004
Rental agreement	TEUR	TEUR
Due 2005		79
Due 2006	52	43
Due 2007	21	
Securities information services	TUSD	TUSD
Due 2005		116
Due 2006	90	69
Due 2007	3	

(45) 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 a specialist. If the MWB Group provides other collateral for processing totaling EUR 500 thousand, it can avail itself of this deposit at any time.

(46) Employees

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

	2005	2004
Gräfelfing	15	15
Berlin	3	2
Frankfurt	5	5
Offenburg	3	3
	26	25

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

According to section 87 of the Aktiengesetz (AktG – German Public Limited Companies Act), the Supervisory Board 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 364 thousand for fiscal year 2005:

Members of the Managing Board	Fixed remuneration TEUR	Variable remuneration TEUR
Thomas Posovatz	129	50
Herbert Schuster	120	65
	249	**115**

In the annual financial statement 2005 a variable remuneration totaling EUR 100 thousand is formed as a provision and will be paid in 2006. Of the provisions for pensions, EUR 183 thousand is allotted to the Board Member Thomas Posovatz.

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 2005, of this total EUR 31 thousand was covered by insurance payments.

Provisions for pensions for former members of the managing board amount EUR 661 thousand.

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 68 thousand (including VAT) was broken down as follows for fiscal year 2005:

Members of the Supervisory Board	Fixed remuneration TEUR	Variable remuneration TEUR
Dr. Ottheinz Jung-Senssfelder	23	7
Thomas Mayrhofer	17	5
Michael Wilhelm	12	4
	52	**16**

The variable remuneration totaling EUR 16 thousand is formed as a provision in the annual financial statement 2005.

A fee totaling EUR 5 thousand was paid for services rendered to Sozietät Mayrhofer & Partner, Munich, in which Mr. Mayrhofer is a partner, and a fee of EUR 1 thousand was paid to WAPAG AG, Munich, in which Mr. Wilhelm is a member of the managing board.

In addition, commission totaling EUR 15 thousand was paid to Mayrhofer Beteilgungs- und Vermögensmanagement GmbH. Mr. Mayrhofer is the managing director of this company.

(48) Members of the managing and supervisory boards

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

Herr Thomas Posovatz, München, Stock Market Broker

Herr Herbert Schuster, Gauting, Stock Market Broker

Mr. Posovatz is a member of the Supervisory Board of Bayerische Börse AG, München.

Mr. Schuster is a member of the Supervisory Board of Konsortium AG, Augsburg, and since August 16, 2005 he has been a member of the Supervisory Board of Möbel Grennrich AG, Gräfelfing.

The company's Supervisory Board had the following members:

Herr Dr. Ottheinz Jung-Senssfelder, Lawyer, Chairman

Herr Thomas Mayrhofer, Lawyer, Vice Chairman

Herr 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 companies in 2005:

- IC Immobilien Holding AG, München
- Hypoport AG, Berlin (Deputy Chairman from August 26, 2005)

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 2005:

- BrainLAB AG, Kirchheim-Heimstetten (Vice Chairman),
- Primus AG, München (Chairman),
- PTV Planung Transport Verkehr AG, Karlsruhe

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

	Interest in share capital %
Members of the Managing Board	
Thomas Posovatz	9.53

Mr. Posovatz holds an indirect interest of 7.95 % 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.

(50) Group Auditor´s Fee

In fiscal year expenses for the audit of the annual accounts totaling EUR 87 thousand and for tax consultancy services totaling EUR 20 thousand were recorded.

Gräfelfing, March 13, 2006

Auditor´s Report

Unqualified auditor’s report on statutory audits of consolidated financial statements prepared persuant to § 315a HGB

We have audited the consolidated financial statements prepared by the MWB Wertpapierhandelshaus AG, Gräfelfing, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from January 1 to December 31, 2005. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB are responsibility of the parent company’s management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB [Handelsgesetzbuch “German Commercial Code”] and German generally accepted standards for the audit of financial statements promulgate by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS’s, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides as suitable view of the Group’s position and suitably presents the opportunities and risks of future development.

Munich,
April 7, 2006

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Schobel
Wirtschaftsprüfer

Schrödl
Wirtschaftsprüferin

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

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

MWB Wertpapierhandelshaus AG · **Annual Report 2005**

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