Märkte · Wertpapiere · Börsen

Annual Report 2002

2002

MWB
WERTPAPIERHANDELSHAUS
AKTIENGESELLSCHAFT

In times of change we can clearly see that quality companies will emerge from the transition with added strength. In view of the unstable financial markets, MWB AG is counting more than ever on stability. MWB is safeguarding its financial quality via liquidity and an equity ratio that are both well above average, and it is concentrating on its core competences and generating long-term loyalty from employees who have what it takes. This is the robust foundation for all of our divisions – from Specialist Business, Market Making and Order Execution through to Asset Management and Capital Market Consulting – and we aim to use this foundation to generate solid, realistic growth.

A question of quality.

Stability goes hand-in-hand with continuity - and can also be seen when high demands are not forgotten in times of crisis. As a key securities house we want to continue to play an active role in designing new market structures in future. This will be possible thanks to our irrefutable expertise in the field of international equities. Our expert knowledge in this area means that we are a much sought-after discussion partner – and makes us an influential market player. Professional and financial quality. That is the combination that has made it possible for us to celebrate our 10th anniversary in 2003 – and it will continue to define MWB AG's path.

MWB Group	2002	2001	+/- in %
Commission result	Mio. € 0.9	Mio. € 1.9	-52.6
Trading result	Mio. € 2.9	Mio. € 1.4	+107.0
Personnel expenses	Mio. € 2.6	Mio. € 3.2	-18.7
Administrative expenses	Mio. € 4.9	Mio. € 7.3	-32.8
Profit from ordinary activities	Mio. € -6.1	Mio. € -10.5	-41.9
Net loss	Mio. € -7.2	Mio. € -7.9	-1.0
Balance sheet total	Mio. € 22.0	Mio. € 29.3	-24.9
Equity	Mio. € 19.7	Mio. € 26.8	-26.4
Earnings per share	€ -1.01	Mio. € - 2.10	-51.9
Number of employees	33	45	-28.8

At a Glance

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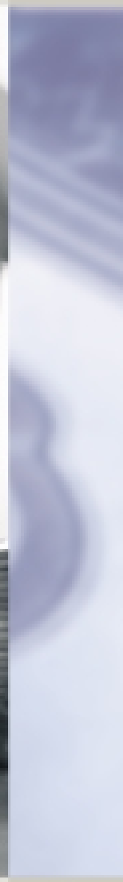


This edition of our annual report is prepared for the convenience of our English-speaking readers. It is based on the German original, which takes precedence in all legal aspects.

Letter to Shareholders

Letter to Shareholders

Dear Shareholders,

We are looking back on 2002 with mixed feelings. We were able to improve earnings slightly on 2001, however there was no sign of a recovery on the international stock markets. Prices are continuing to defy many forecasts – and are still low for the third successive year. The lack of economic impetus and an insecure political framework are reinforcing the caution shown by private and institutional investors. The current situation has never been experienced before in stock-market history. At the very most, a historic parallel could be found in the 1872 to 1877 bear market – which lasted for four and a half years and led to a 64 % downturn in performance. This was due to the overvaluation of many newly formed stock corporations – an anticipation of the current Neuer Markt, which will cease to exist in December 2003.

Improved trading profits

No end can be seen to the earnings crisis among financial services companies in the near future. In particular, plummeting trading in international stocks has negatively impacted MWB AG. Commission income fell from € 1.9 million to 0.9 million due to the low turnover and dwindling share prices. However, our risk-oriented trading strategy and low write-downs on trading stocks mean that we succeeded in improving our trading profits.This has allowed us to lift our loss made from ordinary activities from € -10.5 million to € - 6.1 million. Our earnings figures would, however, have been even better if we had not had to make a further write-down on our interest in the financial software company XCOM AG.

All in all, we are in a significantly better position than many of our competitors – and our consistent cost-cutting policy has played a major role in achieving this status. We were again able to reduce personnel expenses by 19 %, and general administrative expenses by 33 %. Coupled with our continued excellent liquidity, the current situation provides grounds for cautious optimism. In spite of this, however, the current geopolitical uncertainties mean that we would not like to make a forecast for business growth in the coming months.

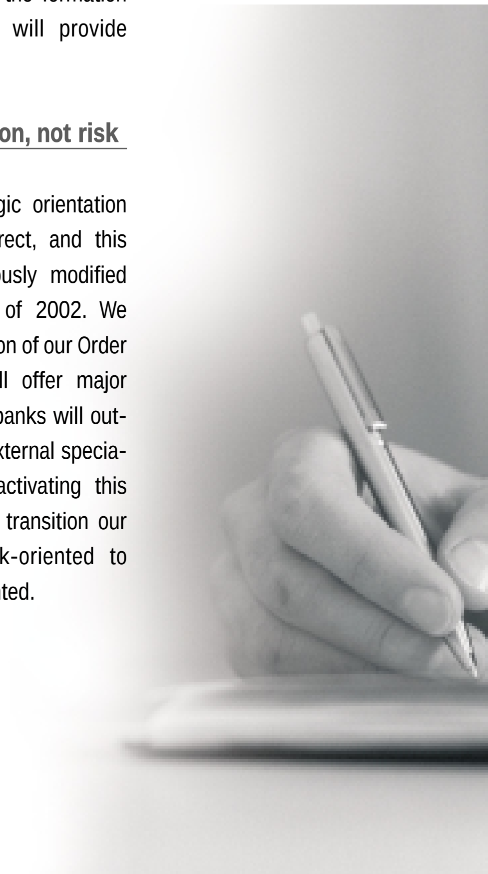
MWB Wertpapierhandelsbank

Opening a branch in Offenburg was a key strategic decision for our subsidiary. MWB Baden is the first step on the path to stronger sales orientation that we resolved last year. The branch is primarily involved in asset management and already contributed around 40 % to MWB Wertpapierhandelsbank's comprehensive commission income in its first fiscal year.

Despite this positive growth, MWB Wertpapierhandelsbank is suffering particularly from the economic weakness in Germany. Capital Market Consulting for SMEs did not record any significant growth, and Private Asset Management also remained down on forecasts overall. We believe that the further expansion of our sales network, and in particular the formation of regional branches, will provide additional impetus.

Geared to commission, not risk

MWB AG's new strategic orientation has proved to be correct, and this orientation was judiciously modified throughout the whole of 2002. We believe that the expansion of our Order Execution business will offer major opportunities as many banks will outsource this service to external specialists to cut costs. Reactivating this division will help us to transition our focus from being risk-oriented to being commission-oriented.



„We have set a strategic course to improve our earnings in the coming years.“

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

In addition to these factors, the strategic realignment also sparked off changes in our Supervisory Board. Dr. Ulrich Wastl and Peter Hausmann both resigned from the Supervisory Board at their own request as of December 31, 2002. New members of the Supervisory Board are Dr. Ottheinz Jung-Senssfelder, a versed banker, Thomas Mayrhofer, a lawyer specialized in stock market and capital markets law and Dipl. Kfm. Michael Wilhelm, a chartered accountant.

Thank you for your trust

On a closing note for 2002, I would like to express my particular thanks to our shareholders who remained loyal to our company during this turbulent year. We will not disappoint the trust you have placed in us and will do our utmost to ensure that MWB AG regains its former strength. I would also like to express my sincere thanks to our employees for their commitment and my colleagues on the Managing and Supervisory Boards for their support and foresight. The entire MWB AG team is looking forward to accepting the entrepreneurial challenges that will be posed by fiscal year 2003.

Yours sincerely,

Thomas Posovatz

Speaker of the Management Board

In memory of Paul Berwein

MWB AG would never have been formed without Paul Berwein. It was his former colleagues who decided to form the securities house in 1993.

Paul Berwein chaired our Supervisory Board from 1998. The pioneer of German stock-market trading passed away suddenly on November 8, 2002. We all owe him our thanks and remember him as a fatherly mentor and role model for entrepreneurial foresightedness.

Christine Niederreuther-Rohrhirsch
Management Board member in charge of
Personnel, Accounting and Compliance

Thomas Mühlbauer
Management Board Member in charge of
Securities Trading

Management Board

Christine Niederreuther-Rohrhirsch

Thomas Mühlbauer

Thomas Posovatz

Supervisory Board´s Report

Supervisory Board´s Report

Dear Shareholders,

The Supervisory Board performed the duties provided to it by law and the Articles of Association, and continually monitored the activities of the company's Managing Board during fiscal year 2002. The Managing Board reported to the Members of the Supervisory Board of 2002 in written and verbal reports on issues regarding business policy, on basic issues of principle regarding business management, on the current state and development of the company and the group, as well as on key transactions. The Members of the Supervisory Board provided the Managing Board with in-depth advice on each of these points. A Supervisory Board commitee was not formed.

There were six Supervisory Board meetings in the fiscal year 2002, with the Managing Board members present. These took place on January 29, March 18, April 24, May 21, September 16 and December 18, 2002. Outside of the scheduled Supervisory Board meetings, the members of the Supervisory Board stayed in constant contact with the Managing Board regarding ongoing business developments.

The negative developments in the capital markets that began in 2000 continued to be present in 2001 and 2002. These negative developments had a significant impact on financial service providers active on the capital markets.MWB Wertpapierhandelshaus AG was not alone in closing fiscal 2002 at a substantial loss.
This loss was largely due to a write-down on a significant investment and losses from operating activities. During the fiscal year, the Supervisory Board will dedicate itself in particular to reviewing the company's strategic orientation. The auditors KPMG Deutsche Treuhand-Gesellschaft AG Wirtschaftsprüfungsgesellschaft, Frankfurt and Berlin, audited the company's financial statements and consolidated financial statements, including the management and group management report. The company's single-entity and consolidated financial statements were issued with an unqualified audit opinion. The Supervisory Board discussed the financial and the consolidated financial statements with the Managing Board and the auditor during the Supervisory Board meeting to review the accounts on April 15, 2003. Having examined the financial and the consolidated financial statements as of December 31, 2002 together with the management and group management report, the Supervisory Board concurs with the findings of the auditor. On April 15, 2003 the Supervisory Board approved the financial and the consolidated financial statements prepared by the Managing Board. The financial statements are thus adopted in line with section 172 of the Aktiengesetz (AktG – German Public Companies Act).
In the Supervisory Board meeting of December 18, 2002, the Supervisory Board discussed the fundamental issue of corporate governance. The Supervisory Board welcomes the decision to adopt the German Corporate Governance Code as a key step in enhancing the practices of business management and business control. The Supervisory Board announced its principal acceptance of the code's recommendations in a meeting on December 18, 2002. In this meeting, a declaration of conformity was adopted. This decision has prompted the Supervisory Board to review the principles and rules under which the Supervisory Board and Managing Board operate, as well as to review the collaboration between the two bodies. The Supervisory Board has established new by-laws and has adopted new by-laws for the Managing Board. The new by-laws include rules for handling potential conflicts of interest and precise details of the Managing Board's reporting duties including a reworked catalog of business transactions requiring the approval of the Supervisory Board.

In November 2002, long serving Chairman of the Supervisory Board, Mr. Paul Berwein passed away.
Mr. Peter Hausmann and Dr. Ulrich Wastl resigned from the Supervisory Board effective December 31, 2002. The Supervisory Board would like to thank Mr. Paul Berwein, as well as the other two Supervisory Board members for their many years of service to the company.
On November 27, 2002, with confirmation from the Registry Court in Munich, the Management Board resolved to appoint Mr. Thomas Mayrhofer (lawyer), from Munich, to the company's Supervisory Board. On March 18, 2003, with further confirmation from the Registry Court in Munich, the Management Board resolved to appoint Dr. Ottheinz Jung-Senssfelder (lawyer), from Fürth, and Dipl. Kfm Michael Wilhelm, from Munich, to members of the company's Supervisory Board.

The period of office of the current Supervisory Board will end at the General Meeting on June 25, 2003. A new election of the Supervisory Board will take place at this General Meeting. The Supervisory Board would like to thank all of the employees as well as the Managing Board for their dedication in fiscal year 2002.

Graefelfing, April 2003

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

Dr. Ottheinz Jung-Senssfelder
Chairman

Thomas Mayrhofer
Vice Chairman

Dipl.Kfm. Michael Wilhelm

Corporate Governance Report

Corporate Governance Report

German Corporate Governance Code

The development of securities trading is highly dependent on psychological factors. Of course the key role is played by the trust placed in the integrity of the company's management and the supervisory bodies of a stock corporation. In order to counter the skepticism and the loss of investor confidence, a government commission was mandated to prepare a German Corporate Governance Code. The code sets out specific requirements for all listed companies – and aims to improve transparency and heighten investor protection. The Corporate Governance Code was published in the Bundesanzeiger (Federal Gazette) on November 26, 2002. It commits stock corporations to various items, including publication of an annual declaration on which recommendations of the code they will and will not follow.

Declaration of conformity submitted

Transparency and openness have been key elements of MWB AG's corporate culture from the very outset. We have always done significantly more with regard to reporting and the continuous information of our shareholders, employees and the press than prescribed by the legislators. The Corporate Governance Code requires responsible corporate management which is committed to sustaining value – for MWB that is something that goes without saying. This makes us even happier that this code is being introduced for all listed companies and hope that this lifts the German equitiy culture. MWB AG's Management and Supervisory Boards stated their position on this issue in December 2002 and have followed almost all of the items in the code.

Deviations from the recommendation

We deviate from the recommendations of the German Corporate Governance Code in only three areas. The proposed formation of additional specialist committees would not be reasonable for a company of our size, as the specialist committee must comprise at least two members of the Supervisory Board. However, MWB AG's Supervisory Board has only three members – an additional committee would thus hardly be efficient. The second deviation concerns the recommendation for Supervisory Board members to receive performance-based remuneration. MWB AG can understand this recommendation as it can lead to the Supervisory Board members identifying more with the company and make their actions profit-centric, however we do not believe that this is necessary for our company in the near future. The US model of performance-based remuneration also requires adjustment before it can be transferred to the German market. A final recommendation which we will not follow is a pure formality. The Corporate Governance Code demands that consolidated financial statements are presented within 90 days of the end of the fiscal year. MWB AG will, however, be following the requirements of the Prime Standard, which prescribes a period of four months. As we have already been admitted to the Prime Standard we will follow the requirements of this new stock market segment in this regard. However, these minor deviations from the code's recommendations should not be regarded as criticism, but clearly stem from the unique nature of our company. We believe that the annual declaration of conformity within the meaning of section 161 of the Aktiengesetz (AktG – German Stock Corporation Act) is a welcome reason to regularly assess and reassess the requirements of a stock corporation. We will constantly review our principles and correct these as necessary in view of our latest experience or market developments.

The Business Segments

Crisis – a learning experience

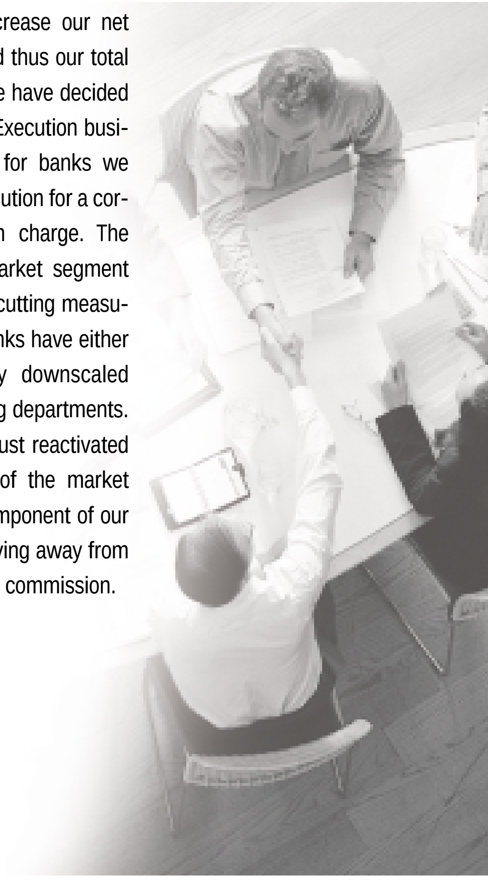
Securities houses are a prime example of procyclical companies. Just as rising stock prices automatically lead to higher commission income, falling prices and trading volumes have a negative impact on turnover and earnings. As a result almost all securities houses suffered during the two bearish years of 2001 and 2002. However, the ongoing crisis is not leading to the expected process of consolidation, but rather it is threatening the existence of several financial services providers. This is particularly affecting the companies who moved away from organic growth in the boom period from 1996 to 1999 and developed new areas of business by acquisitions. Many companies paid for their attempts to enter into the traditional investment banking business by having to make major write-downs for their new acquisitions and suffered a credibility crisis with their investors. Of course now everyone is talking about "refocusing on core business", however this late realization cannot hide the fact that many market players no longer have the liquidity needed to survive a lasting bear market. The securities houses who have the qualities that it takes will survive this selection process – and emerge even stronger. These companies clearly include MWB AG – which has healthy financial foundations despite three successive hostile years on the stock market.

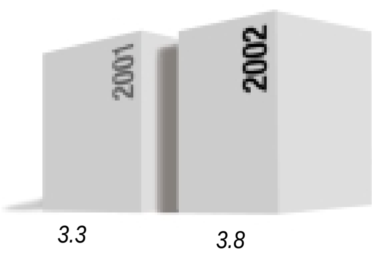
Trading and Specialist Business

Germany is the largest global market for international equities and it keenly felt the effect of the 2002 trading downturn. Turnover in international stocks totaled just 215 billion. This is down 29 % on the previous year – which itself was weak – and puts the figure at a historic low. As a result, our net commission income fell by € 1 million to € 0.9 million. The lower commission income was compensated for by the trading profit, which was up 107 % to a total of € 2.9 million. The number of stocks we trade fell from 1,920 to 1,600 – confirming our forecast that the number of international stocks traded will fall and that quality will become more important than quantity.

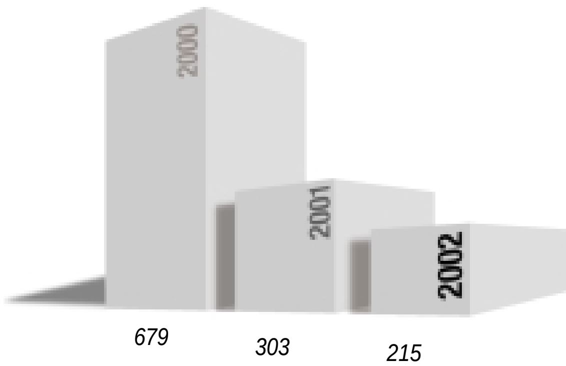
Order Execution

In the current year, we believe that our goal is primarily to increase our net commission income and thus our total earnings. As a result, we have decided to reactivate the Order Execution business. As an insourcer for banks we will take over order execution for a corresponding commission charge. The opportunities in this market segment are significant, as cost-cutting measures mean that many banks have either closed or substantially downscaled their investment banking departments. However, we have not just reactivated this business in view of the market situation. It is also a component of our corporate strategy: moving away from risk-orientation towards commission.





Trading and Commision Result in Millions of € MWB Group.



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

Stock market upheaval

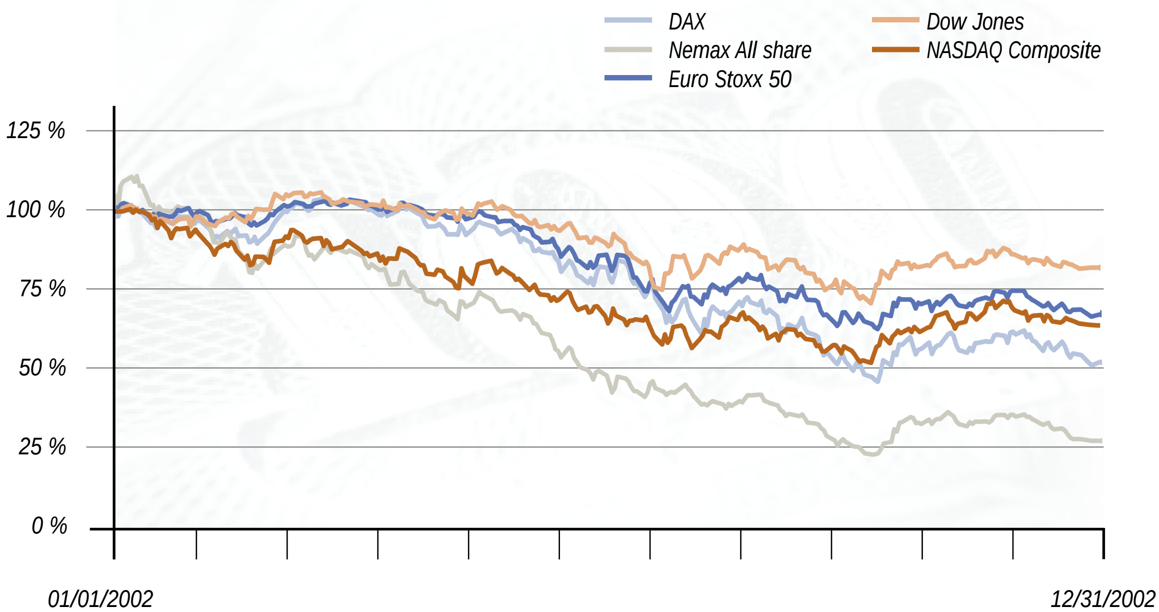
The incisive transition on the German stock markets continued during the past fiscal year. Whereas large banks developed their own in-house trading systems, competition among established financial centers has become more intense.They are looking to new business models and striking advertising in their battle for market shares. During this process, many projects can be seen to be immature and hardly able to compete. For example there has only been little feedback on the expansion of Xetra, the electronic trading platform. The Xetra BEST platform is designed to offer private investors in particular price advantages, however it has scarcely been adopted. Deutsche Börse AG's Global Markets Concept has also failed to meet the high expectations placed in it.The complex set of rules makes it almost impossible for market makers to work at a profit. MWB AG reacted quickly and ceased its activities as a designated sponsor for international stocks in November 2002. To compensate for this we are now involved as a designated sponsor for German small and mid-caps. This area is one which can be expanded and it also opens up a market niche which has been paid only little attention in the past. As a proven specialist for small and mid-caps we can offer issuers individual support and also provide advice on general capital markets matters. For example, we set up a convertible bond for a listed company as an alternative means of obtaining capital – the bond was then placed in a private placement.

Man and machine

Our many years of experience in specialist business on all of the key stock exchanges means that we are experts who are in great demand for developing new business models. For example, the launch of the Max One trading system at the Munich Stock Exchange enjoyed our close support. Max One is primarily geared towards private investors and guarantees the immediate execution of limited and unlimited orders in line with the market. During trading hours the specialist manages the order book and ensures that all securities are tradable. We believe that this model is more promising than a purely electronic market maker system such as that aimed for by NASDAQ Deutschland, and which started on March, 21 2003 in Berlin. Experience has shown that fully-automated order systems cannot replace the "human system". A computer which only reacts to pre-programmed indicators without critically analyzing these may be more efficient – however it cannot replace the experience and in-depth knowledge of a stock market professional. As a result, MWB AG is participating in the Max One trading system as a specialist.

Private asset management

Until two years ago, private asset management was regarded as being the ultimate discipline in the industry. The initial euphoria has now been followed by a sense of sobriety. Almost all asset managers are suffering from the stagnating funds market and the fact that high-net worth individuals are fleeing into alternative forms of investment. In view of this we had to again make a downwards adjustment to our forecast for our subsidiary MWB Wertpapierhandelsbank. We were able to almost double the number of customers when the Baden branch got off to a flying start, however the assets managed fell to € 15.5 million. This was caused by a € 13 million drop in the value of a large managed portfolio



– due to the plummeting share price of a company in which the portfolio-holder holds his major interest.

The new MWB Baden branch

Despite the difficult overall situation, the success experienced by MWB Baden shows that our regional sales strategy is starting to work. The fact that we have been able to acquire 61 new clients in the Offenburg region shows that our products meet the market's needs and appeal to the target group. This becomes particularly apparent in a direct comparison: whereas the performance of the DAX slumped 44 % in 2002 (the Neuer Markt even lost 63 %), even our most speculative portfolio MWBest1 "only" fell by 34 %. We advise the IDEAL Financial Global Flex fund which closed at 33 % up five percentage points on the performance of Euro Stoxx 50.The unsatisfactory earnings in this division were thus due to market-related problems, and not the quality of our asset management. As a result, we will push ahead with our strategy of expanding our regional sales during the first half of 2003 and will continue to look for suitable partners and locations. We are trusting in the effect of a more tightly-knit sales network with regard to the previously low level of awareness of our products. We are doing without broad-scale communication given the current market situation, as the costs and benefits would be out of all proportion.

IPO and capital market consulting

The IPO business scaled down and played a negligible role on German capital markets in 2002. The bear market prevalent on the Neuer Markt, which had been the key IPO segment, is persisting. Deutsche Börse AG's announcement that it will dissolve the Neuer Markt by the end of 2003 added another nail to the coffin. The lack of economic recovery, Germany's confusing economic and tax policy and the insecure situation in Iraq also played their part in scaring off retail and institutional investors.

Convertible bond issue

The disinterest shown in new stocks also meant that MWB Wertpapierhandelsbank was not able to execute IPOs that had been planned and already prepared. In contrast, our offer to place SME bonds or convertible bonds met with a positive reaction. We issued convertible bonds for a listed company as part of a private placement and subscription rights for existing shareholders. This proved that even smaller companies can issue bonds cost-effectively. Our offer to obtain OTC listing without a placement is just as future-oriented. We are currently preparing this type of listing or a floatation without a placement on the stock market for two clients. The interest in alternative capital market instruments confirms our forecast that capital market consulting will gain importance over the IPO business itself.

Baden Branch in Offenburg

Investor Relations

In dialog

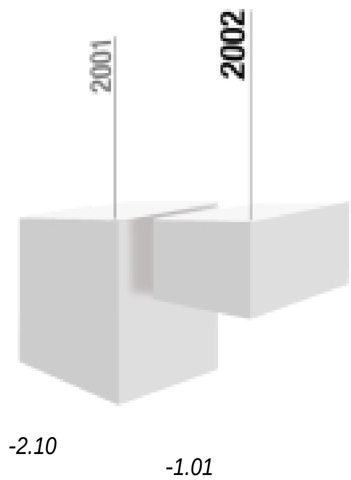
Intense exchange with our shareholders and the public is more important than ever during critical periods. This is why MWB AG used every opportunity during the past fiscal year to provide honest, open information on the company's position. In addition to the balance sheet presentation on May 14 and the General Meeting on June 26 in Munich, we held an analysts' conference in Frankfurt on December 10, 2002. Regular press releases and individual talks with specialist journalists have helped to make our importance within the financial sector more transparent. On December 31, 2002 MWB AG issued a declaration of conformity with the German Corporate Governance Code, and made this available on its web site.

Participation in investor trade fairs

We were particularly happy that our participation in investor trade fairs has borne fruit despite the hostile underlying economic conditions. We held excellent discussions at INVEST in Stuttgart and IAM in Düsseldorf and received positive feedback on our strategy. We intend to continue our policy of openness and dialog this year. We participated at INVEST in Stuttgart from April 4 to 6, 2003. The balance sheet presentation will be held on May 14, 2003 in Munich and our Annual General Meeting will be held on June 25 – and we would like to take this opportunity of inviting you, our shareholders, to attend.

Admission to the Prime Standard

As part of dissolving the Neuer Markt and SMAX, the Frankfurt Stock Exchange Council resolved to resegment the stock market. In future, the "General Standard" segment will be used for SMEs which are primarily traded in Germany. The publicity requirements for this segment are restricted to annual financial statements and a six-months report. We assume that many companies with a poor capital structure and penny stocks will move into this market segment.



DVFA-Result of the share in €

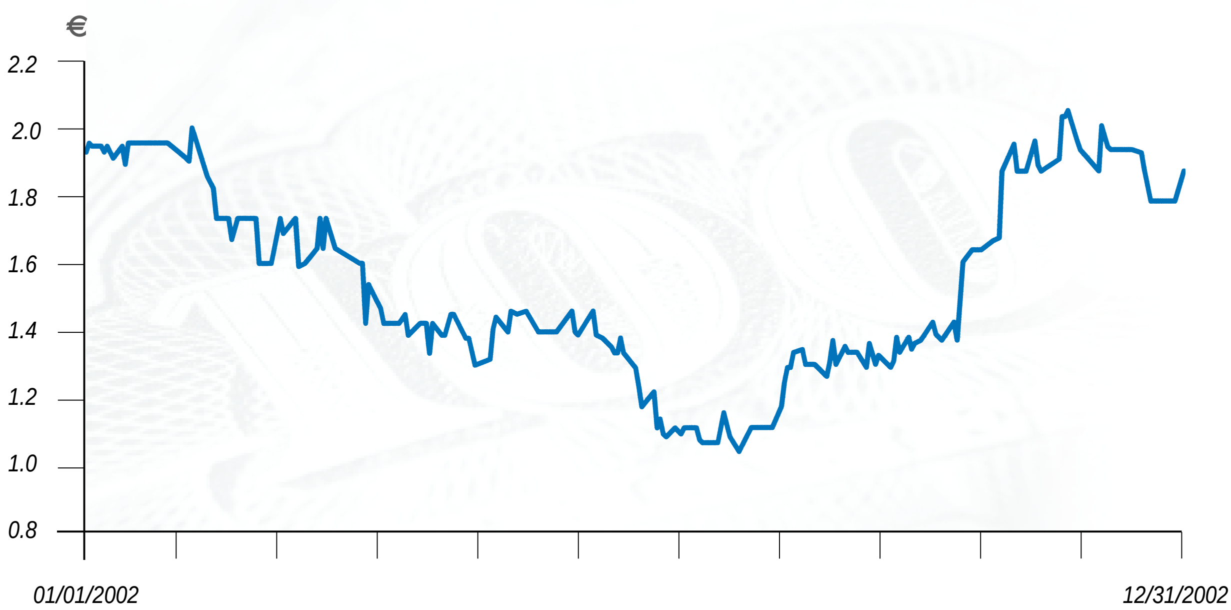
There will also be the "Prime Standard" segment with its uniform post-admission duties. Public limited companies must meet high requirements for transparency and control in order to be accepted to the Prime Standard. This segment prescribes the use of international accounting standards as well as quarterly reporting and holding an annual analysts' conference. MWB AG already fulfills all of these requirements on a voluntary basis and believes that the Prime Standard will bring the company greater awareness among institutional investors. As a result, we applied for admission early on – and this was approved with effect of January 1, 2003.

Share price performance

In 2002, the share price of MWB was not proportionate to the company's actual value. After a low of € 1.00 in July, investors honored our excellent liquidity during the second half of the year. Our share price lifted 103 % to € 1.95 on December 31, 2002. This means that we have not only outperformed the CDAX, but also the performance of most of our competitors. Although we can still not be satisfied with our company's valuation, this development offers grounds for hope. We are sure that the market will honor MWB AG's exceptional quality in the near future.

Development of the stock exchange quotation of the MWB-Stock, Price in Euro

12/31/2002	11/22/2002 (Year High)	7/18/2002 (Year Low)
€ 1.95	€ 2.15	€ 1.00



Price of the MWB-Stock from 01/01/2002 until 12/31/2002

2003 Schedule

Date	Topic	Place
03/11/2003	Publication of interim figures 2002	
04/04 – 04/06/2003	Participating at the INVEST 2003	Stuttgart
04/22/2003	Publication of first quarter figures 2003	
05/14/2003	Balance sheet press conference	Munich
05/15/2003	Analysts conference	Frankfurt a. M.
06/25/2003	Annual Shareholder´s meeting	Munich
07/22/2003	Publication of semiannual figures 2003	
10/21/2003	Publication of third quarter figures 2003	

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Financial Section

The economic environment in fiscal year 2002

The downwards spiral on the key international stock markets – which has been ongoing for almost three years – continued in 2002. This development was primarily affected by the fact that many companies' profits again fell significantly. Economic forecasts were constantly corrected downward during the year by both leading economic institutes and the German government – a trend which is still being seen today.

The Neuer Markt took itself to pieces thanks to the large number of cases of fraud and insolvency, which did a great deal of damage to equities as an investment instrument. The plummeting share prices in the past years were also reflected in the financial statements of banks and insurance companies alike in the form of major write-downs, and together with the reservation shown by customers this has led to a serious earnings crisis in the German financial services sector. The lowest point was reached at the beginning of October when the DAX hit 2,598 points. As was the case last year, the fourth quarter brought a technical recovery – however a year-end rally did not materialize, primarily due to the escalating conflict with Iraq.
Focussing in on securities houses, we can see that – with a very few exceptions - earnings performance was negative, as in the previous year. Despite the cost-cutting successes recorded by must companies, plummeting turnover led to a significant downturn in income. Our belief that our sector is undergoing a selection process is confirmed by three bankruptcies among our close competitors.

1. Business development

Earnings in 2002 were characterized by our cost-cutting success on the one hand and a slow improvement in income on the other hand. We are not yet satisfied with our results, however we have shown clear signs recovery in a stock-market environment which still continues to deteriorate.

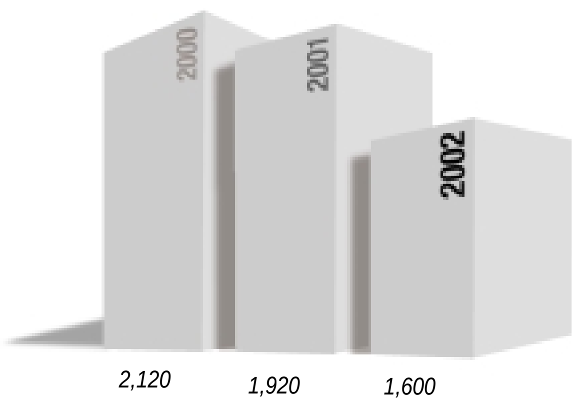
Trading, market making and specialist business

Our specialist business division was primarily impacted by two developments in 2002. On the one hand, international equities turnover in Germany, the most key factor for MWB Wertpapierhandelshaus AG's core business, fell by 29 % from € 303 billion in 2001 to € 215 billion in 2002. On the other hand, the regional stock markets continued to lose turnover to Frankfurt's specialists.

The number of stocks sponsored by MWB AG fell to 1,600 as of December 31, 2002. In 2001 we supported 1,920 stocks. This was due to listings on local stock markets being discontinued, and on delisting in Germany due to turnover failing to materialize over a longer period.

The German market for international equities is undergoing radical change. Stock markets are rethinking their market models and are entering into increasingly intense competition with each other. For example, the Bavarian stock exchange is launching its comprehensive market model Max One for a specialist stock market on May 2, 2003, and the Berlin and Bremen stock markets started NASDAQ Deutschland on March 21 – a market maker model with an internalisation function. The final impact of the inescapable liquidity fragmentation is not yet certain. However, we are certain that specialists will increasingly provide liquidity and assume risk.

Deutsche Börse AG's Global Markets Concepts, which got off to a promising start in September last year (a market maker model for international equities on Xetra) has not met expectations. This model has complex rules and appears to be falling short of its target of creating liquidity and increasing attractiveness, making it difficult for



Number of international stocks sponsored market makers to generate income. As a result, during the course of the year we stopped acting as a designated sponsor for international stocks in Xetra, and now only act selectively as a market maker for selected stocks. There is a question mark over the issue of whether or not it is pertinent to depict the highly developed market for international equities in Germany as a market maker system using an electronic trading platform such as Xetra.

We also use our market making expertise as a Designated Sponsor for German small and mid caps. We are expanding this division and are expecting initial results over the medium term. We believe in individual support for the issuer and do not try to obtain our mandates by making price concessions. In addition to general advice on capital markets issues, companies are also offered processing for share buyback programs, block trading transactions and replacements.

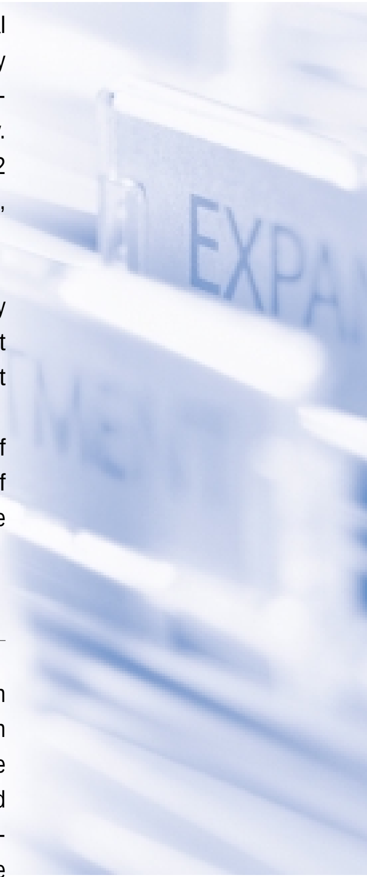
Our experience over the past three and a half years has caused us to shift our focus from being risk-oriented to being commission-oriented. As a result, we have reactivated our division for order execution for banks – which has increasingly taken a back seat over the past few years. We believe that the job cuts in investment banking – in particular in the trading and sales departments – will open up opportunities for MWB AG as an insourcer. As a result, we hired an experienced sales employee as of October 1, 2002.

As a result of the increasing uncertainty and volatility of the stock markets, the company's management launched test option trading transactions last year. As the premiums in this type of market are generally high, the management decided to use the so-called "Covered Call Writing" strategy, i.e. selling calls while simultaneously holding the underlying equity. In the coming months, the management intends to weigh up the possible earnings opportunity against the possible risks.

Private asset management

Private asset management growth was highly unsatisfactory in fiscal year 2002. The volume of assets managed fell from € 23 million on December 31, 2001 to € 15.5 million as of December 31, 2002. The group's management believes that this development is unsatisfactory – it is primarily due to the downturn in the price of a major shareholder's stake in a listed company. The value of this portfolio fell by around € 13 million. Without this extraordinary factor the balance from the market-related downturn in volume and acquisitions would have been € +5.5 million. This is primarily due to the pleasing growth experienced by our Offenburg branch, which was opened in July and which had acquired customer assets totaling € 5 million by the end of the year. As of December 31, 2002 MWB Wertpapierhandelsbank GmbH supported 164 customers, of which 61 are in Offenburg. MWB Wertpapierhandelsbank GmbH has concluded a cooperation agreement with the two branch managers with a limited term until December 31, 2003. This agreement aims to bring the branch's business into MWB Baden GmbH – whose capital is held 50:50 by the two branch managers. In return, MWB Wertpapierhandelsbank GmbH has an option to acquire a 60 % interest in MWB Baden GmbH. Exercising the option as part of the cooperation agreement, so that MWB Wertpapierhandelsbank GmbH invests in MWB Baden GmbH, depends on the decision to be taken on the group's future orientation.

The fund-linked assets managed fell slightly from € 0.8 million as of December 31, 2001 to € 0.7 million in fiscal year 2002. In contrast to our forecasts last fiscal year, we were not able to acquire any additional mandates in this area. The volume of the fund advised by MWB Wertpapierhandelsbank GmbH, Ideal Financial Global Flex, did not increase significantly during the past fiscal year. This development lags forecasts significantly. The performance of –32.9 % in 2002 was better than that of the DAX, NEMAX and Euro Stoxx.



The group's management will critically follow the growth of private asset management in 2003. The aim must be to reach a critical mass of around € 100 million by the second half of 2003 by acquiring managed assets. If we do not succeed in this, we will have to consider closing this division.

IPO Business

IPO business also did not improve in 2002. The bearish Neuer Markt, which was the key segment for IPOs over the past few years, continued for a third year. In view of this, MWB Wertpapierhandelsbank GmbH's activities were not successful. IPOs that had been prepared could not be implemented due to the capital market's total lack of interest in new equities. Our offer to obtain a pure listing for German companies without OTC placement only met with limited interest.

The placement of and placement consulting for so-called mid-sized and convertible bonds which we offer as part of our partial reorientation enjoyed a positive reaction. We issued a convertible bond for a company listed in the first market both as part of a private placement and as subscription rights for existing shareholders. We believe that this tool is a suitable alternative to raise capital – in particular in a difficult stock-market environment.

Here again our target is to critically review this division until the second half of 2003, and also to consider closing it if need be.

2. Earnings

Net commission income and trading profit

MWB's trading profit and net commission income during the past fiscal year continued to be characterized by the ongoing weak stock markets. However, we were able to improve our trading profit on the previous year. These increased from € 1.4 million in 2001 to € 2.9 million in 2002. This was primarily due to significantly lower write-downs on trading positions. In line with the downturn in turnover in international equities, which was again strong, our net commission income fell from € 1.9 million in 2001 to € 0.9 million in 2002.

General administrative expenses

During the course of 2002, our staff fell to 33, with 8 of these employees being made redundant on January 1, 2002 due to plummeting turnover, reducing the personnel expenses by 19 % from € 3.2 million to € 2.6 million in 2002. During the course of the past fiscal year no bonuses were paid to either employees or the management due to the poor earnings situation.
The costs of securities settlement constitute the largest block of other operating expenses. The decision taken in December 2001 to switch to HypoVereinsbank for settling cross-market and cross-border securities transactions has proved to be correct from a costs/benefits perspective. However, the falling number of transactions due to the downturn in turnover also contributed to the drop in settlement costs in 2002 from € 3.6 million to € 1.4 million.

In total, MWB was able to cut its other administrative expenses as a result of strict cost control in the past year from € 7.3 million to € 4.9 million. This corresponds to a downturn of 33 %, and shows the success of the management's efforts to maintain the company's liquidity and quality. We aim to successfully continue this course during fiscal year 2003.

Provision for risks

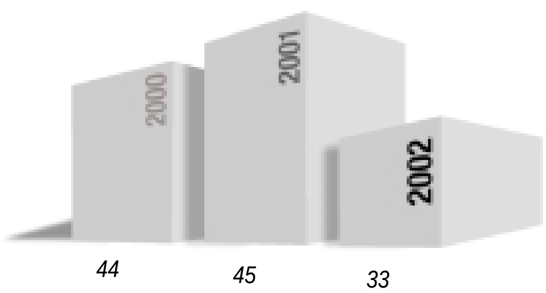
As of December 31, 2001, MWB AG made a write-down of € 3,964 thousand to its interest in XCOM AG after a presentation of XCOM AG's forecast accounts for 2002 and 2003. This represents around 40 % of the purchase price. As a result of XCOM AG's updated forecasts for 2002 due to the general economic situation and the significantly worse industry environment, MWB Wertpapierhandelsbank GmbH's management has decided to write down this investment by a further € 3,572 thousand. This decision is based on XCOM AG's unaudited quarterly financial statements as of March 31, 2002 and June 30, 2002. The Management Board of MWB AG shares this opinion and has written down its interest in MWB Wertpapierhandelsbank GmbH by the same amount. This write-down is expressed in earnings from available-for-sale stocks totaling € 3.503 thousand.

Profit from ordinary activities

The profit from ordinary activities improved significantly in 2002 compared to the previous year. This was brought about by the reduction in costs, but also by the fact that the trading profit was no longer subject to write-downs on trading stocks in the amount experienced in the previous year. This meant that we recorded a profit from ordinary activities totaling € -6.1 million, compared to € -10.5 million in fiscal year 2001.

Income taxes

At the start of fiscal year 2003, MWB AG`s management agreed its forecast for 2003 to 2007. According to this forecast, the company expects market conditions to continue to remain uncertain this year, but to improve significantly in the following years, and to record accumulated earnings from ordinary activities totaling € 6.5 million in fiscal years 2004 to 2007. Based on the new forecast, we have written down the income tax refund for fiscal year 2001 by € 1.1 million. No income tax refund is carried for fiscal year 2002.



Changes in the number of employees

Net loss for the year

Taking into account the write-down on the income tax refund totaling € 1.1 million, the net loss for the year has improved slightly totaling € -7.2 million, compared to € -7.9 million in the previous year. Based on the adjusted net loss for 2002, the DVFA earnings per share totaled € -1.01, compared to € -2.10.

Unappropriated loss

After additions to retained earnings totaling € 1.5 million, and taking into account the loss carried forwards totaling € 10.5 million from 2001, the unappropriated loss totaled € -16.2 million (2001: € 10.7 million).

3. Financial position

Total assets

Total assets fell from € 29.3 million in 2001 to € 22 million in fiscal year 2002. This downturn is mainly due to the increase of the unappropriated profit.

Liquidity

The management of MWB AG believes that liquidity, i.e. the balance of receivables and liabilities, is a decisive competitive factor in the current process of selection in the financial services sector. Cash and cash equivalents totaled € 14.8 million on December 31, 2002 and thus remain virtually constant. The constant level of cash and cash equivalents despite the poor market situation is due to factors including tax refunds totaling € 2.5 million. A further refund of € 0.5 million is expected for the current fiscal year.

Equity

Equity fell back to € 19.7 million during the fiscal year, compared to € 26.8 million in 2001. The equity ratio on December 31, 2002 totaled 90 %, compared to 91 % in the previous year.

Interest in XCOM AG

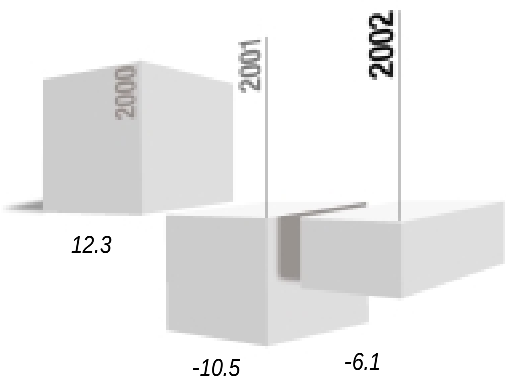
MWB Wertpapierhandelsbank GmbH holds an 11.2 % interest (as of December 31, 2002) in the financial software company XCOM AG. This company was formed in 1988 and has its registered office in Langen, and is regarded as being one of the most innovative suppliers for e-business, e-commerce and e-banking. As of December 31, 2001, MWB AG made a write-down of € 3,964 thousand to its interest in XCOM AG after a presentation of XCOM AG's forecast accounts for 2002 and 2003. This represents around 40 % of the purchase price. As a result of XCOM AG's updated forecasts for 2002 due to the general economic situation and the significantly worse industry environment, MWB Wertpapierhandelsbank GmbH's management has decided to write down this investment by a further € 3,572 thousand. This decision is based on XCOM AG's unaudited quarterly financial statements as of March 31, 2002 and June 30, 2002. MWB's management will continue to monitor the growth of XCOM AG's earnings in future as well as the industry environment.

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.

The financial services sector in Germany is undergoing a radical transition. The plummeting share prices on the stock exchange are primarily forcing listed companies to constantly rethink their business models and place these on a solid footing for the long term. This requires a sufficient supply of capital and liquidity. MWB AG has both.

As a result, during the first six months of 2003 MWB AG will subject its existing divisions to a critical analysis and review. At the end of this process a decision will be made for every division as to whether and to what extent the division will be continued. This also includes the activities of MWB Wertpapierhandelsbank GmbH. The divisions have been defined as



Profit from ordinary activities in Mio. €

Specialist Business, Order Execution, Designated Sponsoring, Trading, Asset Management and IPO and Capital Markets Consulting. After a general analysis of the current status of these divisions, the future prospects and criteria for success will be defined. These will then be used to derive corporate targets and define strategies which will then be consistently implemented.
There have been no material changes since the balance sheet date (December 31, 2002).

5. Risk report

Risk strategy

Managing, monitoring and controlling risks requires a comprehensive risk management and control system. The company has established a total risk system for this purpose, which meets the superior goal of safeguarding the assets placed in the company's trust. The company has also defined other key goals: preventing damage for customers and increasing transparency in the company.

In organizing its internal auditing and risk control, the company has not only taken into account the extensive statutory requirements in the Aktiengesetz (German Public Companies Act) and the Kreditwesengesetz (German Banking Act), but also its own high quality demands.

Internal Audit

In order to establish efficient internal auditing given the company's relatively small size, the Managing Board has decided to outsource its internal auditing to a firm of auditors.

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.

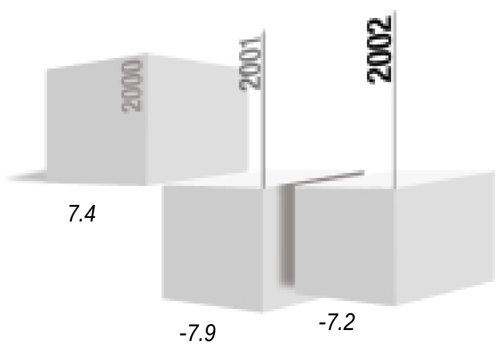
Risk control

Risk control reports directly to the Management Board as a staff department, is physically located in the head office in Graefelfing and is independent of securities trading.

A risk manager was appointed by the company. The risk manager sensitizes employees to recognize and avoid risks, acts as a contact for employees and members of the Management Board, identifies and analyzes the company's risks, undertakes qualitative risk evaluations and monitors the upholding of major credit limits and the company's internal guidelines on avoiding risks. In addition, risk control is also responsible for introducing and further developing methods and systems to manage risk.

In order to guarantee appropriate risk management, the Managing Board has set up an early warning system which will allow developments which may endanger the company's continued existence to be recognized in good time, so that suitable measures can be taken to counteract these developments. Risk control is set up such that particular attention is paid to avoiding risks.

With regard to technology in this respect, the company uses highly-developed applications from the innovative software company XCOM AG, in which the company holds an interest via MWB Wertpapierhandelsbank GmbH. Using XCOM AG, the company calculates and reviews risk assets, net equities positions and counterparty default items, liable equity and allocable equity on a daily basis for MWB Wertpapierhandelshaus AG, together with the resulting Principle I equity ratio and the Principle I overall ratio. Any amounts in excess of the major credit limits are also monitored several times daily, as are the total and individual items from open transactions and the associated unrealized profits and losses. In addition, monthly in-depth



Net profit/loss in Mio. €

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. The company plans to further refine this control system.

As part of the management-related monitoring, the Managing Board also checks the income and expenses from the company's core business on a daily basis. After subjecting the monthly figures to a feasibility check, the CFO then issues a written opinion on the general growth, select P&L items and the liquidity situation once a month. The report focuses on issues including a plan/actual comparison of the current status with the forecast prepared at the start of the year. The report is circulated among the board members and is presented to the members of the Supervisory Board for their information.

In addition, the company attaches great value to learning of changes to the stock-market environment, investor behavior and the statutory framework as early as possible, and taking an active role in designing new structures. This is why members of the company's Managing Board have played an active role (as board members and in other key positions) in the Bundesverband der Wertpapierhandelsfirmen e.V. (Federal Association of Securities Trading Companies) for many years. This opens up a range of opportunities, including the possibility of participating in hearings for pending changes to legislation.

In addition, 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

The individual risks are assessed and precisely reviewed once per year as part of the preparation of the management report. In addition, the risk management is constantly further developed. The company attaches particular value to including the company's individual employees, who are obliged to communicate any recognizable risks to the risk manager.

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

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

General risks

There is a risk that the trend seen over the past few years to shift the stock market model step-by-step from an order-driven to a quote-driven market will continue. To compensate for this effect, the company carefully checks any engagements in new products or markets.

Even after the minimum requirements for conducting trading activities, high requirements must be imposed before entering into such transactions. The test phase, in which the transactions may only be conducted to a manageable extent, may only commence once a comprehensive, detailed concept has been prepared. Ongoing business may only be started when the test phase has been successfully concluded, work instructions and qualified staff are available, and the company has ensured that this is included in the risk control system.

The Munich Stock Exchange will launch the new trading system Max One on May 2, 2003. MWB Wertpapierhandelshaus AG played a key role in preparing and setting up this system. The company is certain that the Max One trading system with its best price guarantee will be able to win back lost ground in the competition between the regional exchanges and electronic trading systems thanks to its combination of electronic processing and specialists who offer prices.

At the same time, the company is still open to participating in Nasdaq Germany, which has opened at March 21, 2003. The new trading platform was created as a joint venture between the Berlin and Bremen stock exchanges, three German banks and Nasdaq Germany. The company is authorized to participate in the new platform due to its existing admission to the Berlin stock exchange as a trading participant.

The planned introduction of a central counterparty (CCP) by Deutsche Börse AG means an additional change for the company. Here, just as is the case for the latest legal developments, the company always receives first-hand information via its work on the board of the Bundesverband der Wertpapierhandelsfirmen. This means that it can react to the latest events at an early stage.

Counterparty default risks

We understand counterparty default risks to be the possible loss of value that could arise if the counterparty defaults or if their creditworthiness falls.

MWB Wertpapierhandelshaus AG has German and foreign trading partners. Counterparty default risk only plays a minor role for stock market transactions with German trading partners who are registered with a stock exchange. For foreign trading partners, counterparty limits are set per trading day depending on their size and market valuation as well as the frequency of their transactions. Information on foreign counterparties' economic performance is obtained regularly.

Market price risks

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

Our general business policy is to mostly avoid overnight positions. We do not limit risk by simultaneously entering into hedging transactions.

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

The amount of the open positions is limited by open positions limits. These open positions limits result from the guarantee deposited with the respective stock exchange. In addition, the open positions limits are limited by the requirements of the Kreditwesengesetz (German Banking Act) and the work instructions for securities traders. In addition, both the member of the Management Board responsible for trading and a member of the Management Board who is independent of trading operations are informed at least twice per day on the largest open positions and the largest unrealized profits and losses from these transactions, with deviations of more than 5 % (for a P/L from € 1,000) are separately marked. The trading department is instructed to settle these positions immediately. A similar method is applied for securities held in the proprietary trading portfolio.The company launched test options transactions for its existing equities stocks during the fourth quarter of 2002. The company has decided to sell short-running, high volatility call options for which the strike price slightly exceeds the current share price. This business model carries with it a risk for the company that it will not be able to participate in price increases which exceed the strike price of the stocks to be optioned, as the strategy prescribes that the optioned equities are not to be sold. The risk of falling prices for the stocks to be optioned is limited by buying the options back in good time. The original stock of equities that had been optioned thus become available again for sale.

Liquidity risks

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

The company is aware of the risk of a continued reduction in liquidity in an ongoing weak market environment.

Despite negative earnings in the past fiscal year, the company has an excellent liquidity structure (on the balance sheet date of December 31, 2002, the freely available funds from demand and one-month money totaled approx. € 9.3 million, an additional € 3.8 million were deposited for stock exchange and clearing bank collateral).

Legal risks

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

- Trading transactions

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

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

-Statutory regulations

MWB AG is subject to comprehensive reporting requirements and other statutory regulations, in particular from the Handelsgesetzbuch (German Commercial Code), the Börsengesetz (German Stock Market Act), the Wertpapierhandelsgesetz (German Securities Trading Act) and the Kreditwesengesetz (German Banking Act). In addition to regular reports, a large number of business events must be reported and other legal requirements must be fulfilled. If these reporting requirements are not observed, the company could be subject to fines of up to € 500,000.

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

Personnel risks

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

The company selects employees carefully during the hiring process, and pays attention to ensure that other employees can easily take over the responsibilities of their colleagues during vacation, periods of illness or in the event of an employee leaving the company. During the past fiscal year, the company prepared an organizational manual, which includes both functional descriptions of the individual positions and detailed descriptions of the key business processes as well as the company's compliance concept.

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

Other operating risks

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

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

The company combats the risks from the loss of data using a refined system of daily, weekly and monthly data backups, some of which are stored outside the company's offices. When selecting a company to support our computer system, we selected a company which can be on location in the shortest possible period in the event of a defect – even at night and on weekends. The system administrator has also been issued with an alarm device, which automatically reports serious problems in the computer center (flooding, heat, smoke).

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

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

Graefelfing, March 2003

Consolidated Balance Sheet in accordance with International Financial Reporting Standards

as of December 31, 2002

Assets

	Notes	12/31/2002 TEUR	12/31/2001 TEUR	Change in TEUR	Change in %
Cash reserve	(5); (24)	1	0	1	100.0
Receivables from banks	(5); (6); (25)	15,008	14,968	40	0.3
Assets held for dealing purposes	(7); (26)	560	616	-56	-9.1
Financial assets	(8); (27)	2,607	6,280	-3,673	-58.5
Property, plant and equipment	(9); (28)	804	1,072	-268	-25.0
Income tax assets	(14)	1,266	2,346	-1,080	-46.0
Other assets	(29)	1,784	3,982	-2,198	-55.2
Total assets		**22,030**	**29,264**	**-7,234**	**-24.7**

Liabilities and equity

	Notes	12/31/2002 TEUR	12/31/2001 TEUR	Change in TEUR	Change in %
Liabilities to banks	(5); (10); (30)	176	149	27	18.1
Liabilities from dealing activities	(11); (31)	41	25	16	64.0
Provisions	(12); (32)	677	889	-212	-23.8
Income tax liabilities	(14)	169	197	-28	-14.2
Other liabilities	(15); (33)	1,231	1,172	59	5.0
Equity	(34)	19,736	26,832	-7,096	-26.4
Subscribed capital		4,983	4,983	0	0
Capital reserves		24,825	24,825	0	0
Retained earnings		8,618	10,239	-1,621	-15.8
Revaluation surplus		-53	9	-62	-688.9
Depreciation of own shares	(35)	-2,425	-2,545	120	4.7
Consolidated loss		-16,212	-10,679	-5,533	-51.8
Total liabilities and equity		**22,030**	**29,264**	**-7,234**	**-24.7**

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

for the Period from January 1 to December 31, 2002

	Notes	1/1/-12/31/2002 TEUR	1/1/-12/31/2001 TEUR	Change in TEUR	Change in %
Interest income	(16)	568	1,007	-439	-43.5
Interest expenses	(16)	-4	-2	-2	-100
Net interest income	(16)	**564**	**1,005**	**-441**	**-43.9**
Commission income	(17)	1,020	2,743	-1,723	-62.8
Commission expenses	(17)	-131	-868	737	84.9
Net commission income	(17)	**889**	**1,875**	**-986**	**-52.6**
Trading income	(18)	11,509	29,592	-18,083	-61.1
Trading expenses	(18)	-8,572	-28,168	19,596	69.6
Trading profit	(18)	**2,937**	**1,424**	**1,513**	**106.3**
Net income from financial assets	(8); (27)	**-3,503**	**-4,407**	**904**	**20.5**
Administrative expenses	(20)	-7,415	-10,467	3,052	29.2
Balance of other income/expenses	(21)	454	70	384	548.6
Profit from ordinary activities		**-6,074**	**-10,500**	**4,426**	**42.2**
Income taxes on profit from ordinary activities	(14); (22)	-1,081	2,589	-3,670	-141.8
Net loss		**-7,155**	**-7,911**	**756**	**9.6**
Loss/profit carried forward from previous year		-10,519	338	-10,857	-3.212.1
Transfer to/withdrawl from retained earnings		1,462	-3,106	4,568	147.1
Consolidated loss		**-16,212**	**-10,679**	**-5,533**	**-51.8**

Statement of Changes in Equity

for the Period from January 1 to December 31, 2002

	Notes	2002	2001
	(35); (36)	TEUR	TEUR
Equity as of January 1		**26,832**	**40,354**
Subscribed capital			
As of January 1		4,983	4,983
As of December 31		4,983	4,983
Capital reserves			
As of January 1		24,825	24,825
As of December 31		24,825	24,825
Retained earnings			
As of January 1		10,239	6,458
Withdrawal from/Transfers to retained earnings		-1,621	3,781
As of December 31		8,618	10,239
Revaluation surplus			
As of January 1		9	17
Change		-62	-8
As of December 31		-53	9
Own shares			
As of January 1		-2,545	-2,290
Change		120	-255
As of December 31		-2,425	-2,545
Consolidated loss			
As of January 1		-10,679	6,360
Net loss		-7,155	-7,911
Distribution of profit		0	-5,347
Withdrawal from/Transfers to retained earnings		1,622	-3,781
As of December 31		-16,212	-10,679
Equity as of December 31		**19,736**	**26,832**

Consolidated Cash Flow

for the period from January 1 to December 31, 2002

	2002 TEUR	2001 TEUR
Consolidated loss	**-7,155**	**-7,911**
Adjustment to the reconciliation of the consolidated net profit to the cash flow from operating activities		
Depreciation, write-downs and write-ups on receivables, property, plant and equipment and financial assets	3,965	4,764
Change in long-term provisions	-212	133
Loss from the disposal of financial assets	0	823
Other adjustments (balance)	-1,308	-1,942
	-4,710	-4,133
Changes in assets and liabilities from operating activities		
Change in receivables from customers	-9	0
Change in trading position	72	1,021
Change in other assets from operating activities	3,286	-3,276
Change in other liabilities from operating activities	31	283
Interest received and dividends	472	754
Interest paid	-4	-2
Received income tax	25	478
Cash flow from operating activities	-837	-4,875
Proceeds from disposal of financial assets	0	1,877
Investments in property, plant and equipment	-104	-682
Investments in financial assets	0	-512
Change in cash flow from other investing activities	69	380
Cash flow from investing activities	-35	1,063
Net-change in purchases and sales of own shares	885	88
Dividends paid	0	-5,347
Cash flow from financing activities	885	-5,259
Change in cash and cash equivalents	13	-9,071
Cash and cash equivalents at beginning of the period	14,820	23,891
Cash flow from operating activities	-837	-4,875
Cash flow from investing activities	-35	1,063
Cash flow from financing activities	885	-5,259
Cash and cash equivalents at the end of the period	14,833	14,820

Exempting consolidated financial statements (IFRS)

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

The consolidated financial statements of the MWB Group as of December 31, 2002 correspond to currently applicable IFRSs and were prepared as exempting consolidated financial statements within the meaning of section 292a of the Handelsgesetzbuch (HGB – German Commercial Code). They are in line with the applicable EU directives and are as meaningful as HGB financial statements.

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

The company's Managing and Supervisory Boards have issued the declaration of conformity in line with section 161 of the Aktiengesetz (AktG –German Public Limited Companies Act) on the recommendations of the "Government Commission German Corporate Governance Code" and published this on the company's Internet site in December 2002.

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

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

Index	Description	Used from	Associated SIC / IAS
SIC-1	Consistency – Different Cost Formulas for Inventories	1/1/99	IAS 2
SIC-5	Classification of Financial Instruments – Contingent Settlement Provisions	6/1/98	IAS 32
SIC-8	First-Time Application of IASs as the Primary Basis of Accounting	8/1/98	IAS 1
SIC-9	Business Combinations – Classification either as Acquisition or Uniting of Interests	8/1/98	IAS 22
SIC-16	Share Capital – Reacquired Own Equity Instruments (Own Shares)	7/1/99	IAS 32
SIC-17	Equity – Costs of an Equity Transaction	1/30/00	IAS 32
SIC-18	Consistency – Alternative Methods	7/1/00	IAS 1
SIC-21	Income Taxes – Recovery of Revalued Non-Depreciable Assets	7/15/00	IAS 12
SIC-22	Business Combinations – Subsequent Adjustment of Fair Values and Goodwill Initially Reported	7/15/00	IAS 22
SIC-23	Property, Plant and Equipment – Major Inspection or Overhaul Costs	7/15/00	IAS 16
SIC-24	Earnings Per Share – Financial Instruments and Other Contracts that may be settled in Shares	12/1/00	IAS 33
SIC-25	Income Taxes – Changes in the Tax Status of an Enterprise or its Shareholders	7/15/00	IAS 12

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

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

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

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

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

Valuation of trading activities at market values

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

The company's trading activities are shown at their fair value on the 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 4.13 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 defered 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.

Consideration of future developments in calculating pension commitments

In contrast to more static calculation methods according to German law, IAS 19 (revised 2000) prescribes a dynamic valuation of future economic and demographic developments when calculating provisions for pensions.

This means that the commitments entered into by the company preparing the accounts are taken into reasonable account.

Recognition of deferred tax assets and liabilities

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

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

Disclosure of own shares

IFRS requires own shares to be deducted from equity in line with SIC 16.
Accounting in line with the German accounting provisions in section 272 (4) in connection with 266 (2) B III no. 2 of the HGB is not permissible.

Initial application of IFRS

MWB Wertpapierhandelshaus AG has prepared exempting consolidated financial statements within the meaning of section 292a of the HGB for the first time for fiscal year 2002.
We have ensured that these figures are comparable with the previous year by preparing opening accounts as of January 1, 2001 according to IFRS. According to IAS 8.49, as a rule initial application if IFRS is retrospective.

This means that for the initial application of IFRS, retroactive adjustments must be to the accounting and valuation methods. Positive and negative changes in valuation are offset against the revenue reserves as of January 1, 2001 and are not recognized in income.

The following table shows the major effects of offsetting against the revenue reserves.

Major effects of offsetting with revenue reserves	January 1, 2001
Total addition to revenue reserves:	2,238
Thereof:	
Valuation of trading activities at market values	126
Corrections for own shares	2,290
Provisions for pensions	-8
Deferred tax (assets and liabilities)	-170

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, 2002 include MWB Wertpapierhandelshaus AG as the parent company and the wholly-owned subsidiary MWB Wertpapierhandelsbank GmbH, Gräfeling.

(3) Consistency

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

(4) Principles of consolidation

We apply the benchmark method for capital consolidation.
We offset the acquisition costs of an affiliated company with the proportionate group equity on the date of the acquisition. The assets and liabilities of the acquired company are measured at their proportionate fair value.

We disclose any remaining difference as goodwill on the balance sheet under intangible assets. This is subject to straight-line amortization over its useful economic life.
Business relationships within the group of consolidated companies are eliminated. As a rule, intra-group interim earnings are eliminated, insofar as these are not of minor importance.

(5) Cash and cash equivalents

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

(6) Receivables from banks

The receivables from banks include overnight deposit investments as well as receivables from dividends and commission.
Receivables from banks are shown at their face value insofar as there is no permanent impairment. Interest income from these receivables is capitalized with the receivables.

(7) Assets held for dealing purposes

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

(8) Financial Assets

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

(9) Property, plant and equipment

Property, plant and equipment are carried at their acquisition costs, less scheduled depreciation.

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

The subsequent valuation is at net acquisition costs. 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 depreciation as prescribed by IAS 36.58 in the event of permanent impairment. If the reasons for the non-scheduled depreciation no longer exist, the asset is written back to a maximum of the net acquisition costs.

Depreciation is shown under general administrative expenses.

(10) Liabilities to banks

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

Liabilities to banks do not include liabilities to affiliated companies.

(11) Liabilities from dealing activities

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

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

(12) 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.

(13) Equity interests

The two managing directors of MWB Wertpapierhandelsbank GmbH each have the irrevocable right to exercise up to 90,000 option rights for ordinary shares of MWB Wertpapierhandelshaus AG at a strike price of € 16. The options are valid through August 31, 2010. The employee equity compensation plans are "compensatory stock option plans". We measure the employee equity compensation plans using the intrinsic value-based method. Measurement at the intrinsic value does not lead to any personnel expenses, as the strike price currently exceeds the stock market price on the date of the commitment.

(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.

According to the company's current five-year forecast, it believes that the income tax receivables disclosed will not be impaired.

Property, plant and equipment and intangible assets	Economic useful life
Office fittings	10, 13 years
Fittings in rented buildings	5 years
IT equipment (in the widest sense)	4, 8 years
Intangible assets (software, licenses)	3 years
Other equipment, operating and office equipment	4 years
Goodwill	4 years

(15) Other liabilities

Liabilities from goods or services received that were neither paid for nor invoiced by the supplier nor formally agreed, are disclosed under other liabilities.

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

Notes on the profit and loss account

(16) Net interest income

	2002 TEUR	2001 TEUR
Interest income	568	1,007
Loans and money market transactions	568	1,007
Interest expenses	-4	-2
Total	**564**	**1,005**

(17) Net commission income

	2002 TEUR	2001 TEUR
Commission income	1,020	2,743
thereof: Brokerage income	786	2,655
Other commission income	234	88
Commission expenses	-131	-868
thereof: Brokerage expenses	-101	-694
Other commission expenses	-30	-174
Total	**889**	**1,875**

The brokerage income and expenses result from brokerage for investments and contracts. Other commission income was primarily generated as part of the IPO business (2002: TEUR 30, 2001: TEUR 35) and in Asset Management (2002: TEUR 107, 2001: TEUR 57).

The other commission expenses include guarantee commissions and third-party expenses.

(18) Trading profit

	2002 TEUR	2001 TEUR
Trading income	11,509	29,592
from securities*	991	2,077
from price differences in open transactions	10,518	27,515
Trading expenses	-8,572	-28,168
from securities	-1,093	-4,367
from price differences in open transactions	-7,479	-23,801
Total	**2,937**	**1,424**
* including the dividend income and commission allocable to trading activities:	19	53

Following the resolution on the interpretation of SIC-16 of the Standing Interpretation Board which came into effect at the start of fiscal year 2000, income realized from trading in own shares is not disclosed in the profit and loss account. The corresponding results are taken into account as a separate equity item.

(19) Income from financial assets

	2002 TEUR	2001 TEUR
Profit/loss from financial assets	69	-443
Write-downs on financial assets	-3,572	-3,964
Total	**-3,503**	**-4,407**

The income from financial assets includes the financial assets classified as available for sale. This is characterized by the write-downs on the investment in XCOM AG. The carrying amount is a result of the economic growth of XCOM AG, Langen, which lags the forecast.
In fiscal year 2002, the item profit/loss from financial investments exclusively comprises XCOM AG's dividends, in the previous year this comprised XCOM AG's dividends totaling TEUR 380 and a loss from the disposal of securities totaling TEUR 823.

(20) Administrative Expenses

	2002 TEUR	2001 TEUR
Personnel expenses	-2,560	-3,183
Wages and salaries	-2,215	-2,698
Social security costs	-274	-352
Pension costs	-71	-133
Other administrative expenses	-4,855	-7,284
Thereof depreciation and amortization		
depreciation of operating and office equipment	-363	-288
amortization of goodwill	-16	-16
Total	**-7,415**	**-10,467**

During the past fiscal year, a final amount of TEUR 16 was amortized for goodwill from initial consolidation.

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

	2002 TEUR	2001 TEUR
Other income		
Other income from ordinary activities	476	70
Other expenses		
Other expenses from ordinary activities	-22	0
Total	**454**	**70**

The other income and expenses from ordinary activities primarily comprise the following amounts: income from the reversal of provisions totaling TEUR 307 (previous year: TEUR 20), the repayment of contributions to EdW Entschädigungseinrichtung der Wertpapierhandelsunternehmen totaling TEUR 123 (previous year: EUR 0), and receivable losses totaling TEUR 22 (previous year: EUR 0).

(22) Income taxes on the result from ordinary activities

	2002 TEUR	2001 TEUR
Actual taxes	25	481
Deferred taxes	-1,106	2,108
Total	**-1,081**	**2,589**

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 2002 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 (TEUR 20) and the value adjustment of deferred tax assets for the loss carried forwards which can be used for tax purposes (TEUR 1,086).
The following table shows the relationship between the income taxes derived from the pre-tax earnings and the income taxes for fiscal year 2002 disclosed in the profit and loss account (reconciliation statement). The derived income taxes are based on the domestic tax rate of 38.65 %.
As a result of the Flutopferhilfegesetz (Flood Victims Aid Act), the corporation tax rate for 2003 was increased by 1.5 % to 26.5 %, while the solidarity surcharge rate remains unchanged.
As no reversal of temporary differences or any realization of book values is anticipated for fiscal year 2003, these have been measured using a tax rate of 38.65 %.

	2002 TEUR	2001 TEUR
Derived income taxes from the pre-tax earnings	0	0
Value adjustments to deferred tax assets	1,081	-2,589
Tax refund	-25	0
Non-deductible operating expenses	16	178
Amortization of goodwill	6	6
Tax audit 2001	0	-420
Other	3	236
Disclosed income taxes	**1,081**	**-2,589**

(23) Key figures for earnings per share

To calculate the basic earnings per share, the net profit for the year after tax is divided by the average number of ordinary shares outstanding the period. Own shares held are deducted from the average number of shares in circulation to the exact day. No diluted earnings have to be calculated as the strike price of the existing options in fiscal year 2002 was above the average share price of MWB Wertpapierhandelshaus AG.
The following table shows the key indicators and the calculation components on which they are based:

	2002	2001
Net profit for the year in TEUR	-7,155	-7,911
Average number of shares in circulation	4,786,269	4,795,812
Number of shares including increases that resulted or could result from subscription rights granted	180,000	180,000
Earnings per share (with amortization of goodwill)	-1,49	-1,65
Adjusted earnings (without goodwill amortization)	-1,44	-1,59

Notes to the balance sheet

(24) Cash reserve

	2002 TEUR	2001 TEUR
Cash reserve	1	0
Total	**1**	**0**

(25) Receivables from banks

German banks	2002 TEUR	2001 TEUR
Demand receivables from banks	13,705	14,738
Other receivables from banks	1,303	230
Receivables from banks	**15,008**	**14,968**

(26) Assets held for dealing purposes

	2002 TEUR	2001 TEUR
Equities and other variable income securities		
Equities	411	388
Other	149	228
thereof: marketable securities	411	388
thereof: listed securities	401	382
Total	**560**	**616**

The price for non-listed securities was taken from the redemption prices of Bundesverband Deutscher Banken. In one case, the price fixed in telephone trading on the last trading day of the year was used.

(27) Financial Assets

	2002 TEUR	2001 TEUR
Equities and other variable income securities		
Equities	2,436	6,007
Investment units	171	273
thereof: marketable securities	2,436	6,007
thereof: listed securities	0	0
Total	**2,607**	**6,280**

The following table shows the growth of the financial assets:

	TEUR	TEUR
Acquisition/historical cost		
Balance at January 01, 2002		10,742
Balance at December 31, 2002		10,742
Revaluation surplus	**After taxes**	**Before taxes**
Balance at January 01, 2002	9	15
Change	-62	-102
Balance at December 31, 2002	-53	-87
Amortization/ depreciation		
Balance at January 01, 2002		-4,476
Non-scheduled amortization/depreciation		-3,572
Balance at December 31, 2002		-8,048
Book values		
Balance at December 31, 2001		6,280
Balance at December 31, 2002		2,607

Deferred taxes primarily result from the fact that the devaluation of financial assets is not recognized in income, but is included in the revaluation surplus and does not impact the profit and loss account.

(28) Property, plant and equipment

	Operating and office equipment TEUR
Acquisition/historical cost	
Balance at January 01, 2002	1,876
Additions	104
Disposals	-170
Balance at December 31, 2002	1,810
Amortization/ depreciation	
Balance at January 01, 2002	-804
Current amortization/depreciation	-363
Disposals	161
Balance at December 31, 2002	1,006
Book values	
Balance at December 31, 2001	1,072
Balance at December 31, 2002	804

No non-scheduled amortization or depreciation was necessary in fiscal year 2002. Property, plant and equipment includes intangible assets totaling TEUR 3,391 (previous year: TEUR 2,445). The amortization of intangible assets is disclosed together with the depreciation of property, plant and equipment under other administrative expenses.

(29) Other Assets

	2002 TEUR	2001 TEUR
Other assets		
Tax overpayments	848	3,203
Claims from reinsurance	729	633
Receivables from commission income in IPO business	18	9
Other assets	189	137
Total	**1,784**	**3,982**

The receivables from commission income in IPO business relate exclusively to receivables as part of the issue of issuing a convertible bond. This receivable was written down by TEUR 22 due to impairment. The other assets include prepaid expenses, deposits and receivables resulting from oncharging.

	2002 TEUR	2001 TEUR
Income tax assets	1,266	2,346

(30) Liabilities to banks

German banks	2002 TEUR	2001 TEUR
Liabilities to banks	176	149

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

(31) Liabilities from dealing activities

The liabilities from dealing activities comprise the positions still open from open transactions on the settlement date totaling TEUR 41 (previous year: TEUR 25).

On the balance sheet date, the company was the writer of a call option with a nominal volume of TEUR 100.

(32) Provisions

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

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

Provisions for pensions are formed on the basis of actuarial surveys in line with IAS 19 (revised 2000). 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 6 %.

According to IAS 19 (revised 2000), the so-called projected unit credit method is to be used to measure the commitments and calculate the expense. The cash value of the acquired pension claims on the cut-off date thus calculated takes into account unredeemed underwriting profits and losses that could result from a non-scheduled course of risk (deviations between the actual and anticipated invalidity and mortality rates) or changes to the calculation parameters (in particular interest rate, pension commitments and pension dynamics).

There were changes to the valuation parameters insofar as the pension commitments made to the members of the Managing Board have been changed.
These underwriting profits and losses are only reflected in income if the accrued amounts on 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 (so-called corridor method).
The MWB Group disclosed the pension provision deficit totaling TEUR 8 resulting from the reconciliation to IAS accounting, measurement and consolidation methods under equity under profit reserves in the year of initial application.
This results in the following financing status:

	12/31/2002 TEUR	12/31/2001 TEUR
Reconciliation of the net cash value of the commitment to the pension provision:		
Net cash value of the commitment	1,008	1,270
Non-recorded underwriting profits/losses	-331	-380
Other amounts included in the balance sheet	0	-1
Provision for pensions	677	889
Change in the provision for pensions		
Provision for pensions January 1	889	756
Ongoing service cost	53	94
Interest	76	40
Amortization of non-disclosed profits/losses	14	-1
Curtailment	-303	0
Benefits	-52	0
Provision for pensions December 31	677	889
Change in the provision for repurchase values:		
Repurchase value January 1	633	382
Increase	96	251
Repurchase value December 31	729	633

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

(33) Other liabilities

	2002 TEUR	2001 TEUR
Accruals	911	673
Other liabilities	320	499
Total	**1,231**	**1,172**

We also disclose the deferred liabilities according to IAS 37 under the other liabilities. These include liabilities for which there is only minor uncertainty remaining concerning the amount and timing of the liability. This concerns liabilities for goods or services received or provided that have not been paid or invoiced by the supplier or formally agreed. These also include current liabilities to employees from vacation entitlements. We have carried the deferred liabilities in the amount at which they are likely to be taken up.
The other liabilities mainly comprise trade payables, and liabilities for employee income tax and social insurance.

(34) Equity

The subscribed and authorized capital has changed as follows:

	2002 TEUR	2001 TEUR
Subscribed capital		
Balance as at January 1	4,983	4,983
Balance as at December 31	4,983	4,983
Authorized capital		
Balance as at January 1	2,094	2,094
Balance as at December 31	2,094	2,094

As of December 31, 2002, the subscribed capital totaling TEUR 4,983 comprised 4,982,700 no-par value shares with a theoretical par value of € 1.00. All shares are bearer shares. The stock of own shares is disclosed on the balance sheet as a deduction from equity.

In line with SIC-16 of the Standing Interpretation Committee, no income or expense from dealing in own shares is shown in the profit and loss account of the IFRS consolidated financial statements. The trading loss from own shares totaling TEUR 779 is deducted from equity.

The General Meeting issued the Management Board of MWB Wertpapierhandelshaus AG with a total of two authorizations to increase the share capital with the approval of the Supervisory Board by issuing new shares against cash or non-cash contributions on one or several occasions (authorized capital) as follows:

- within five years of the resolution being entered on December 8, 1998 in the amount of € 355,603.50
- within five years of the resolution being entered on March 30, 1999 in the amount of € 1,738,392.40.

The Management 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 Management 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.

(35) Own shares

On the balance sheet date, the company held a stock of 161,158 own shares with a theoretical par value of TEUR 161 (3.23 % of the share capital). In total, 50,448 own shares were bought and 129,981 own shares were sold during the year. The average acquisition price totaled € 1.68, the average selling price totaled € 1.47. The stock of own shares is disclosed on the balance sheet as a deduction from equity.

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

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

MWB Wertpapierhandelshaus AG was authorized by the General Meeting on June 26, 2002 to acquire own shares before December 25, 2003 in order to be able to offer shares of the company to third parties during business mergers 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

(36) Fair value of financial instruments

There were no deviations between the book value and fair value for the receivables from banks, receivables from customers 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, 2002.

Notes to the cash flow statement

(37) Notes on the individual items of the cash flow statement

In addition to the balance sheet, profit and loss account, statement of changes in shareholders' equity and notes, the statement of cash flows is a compulsory element of IFRS financial statements and comprises three areas: cash flow from operating activities, cash flow from investing activities and cash flow from financing activities. The cash flow statement is prepared in line with IAS 7 and the bank-specific standard GAS 2-10. Cash and cash equivalents comprises the balance sheet cash reserve item and the receivables from banks due on demand and short-term liabilities.

Reconciliation of cash and cash equivalents to the balance sheet item:	2002 TEUR	2001 TEUR
Cash reserve	1	0
Receivables from banks	15,008	14,969
Liabilities to banks	-176	-149
Cash and cash equivalents - end of period	**14,833**	**14,820**

Notes on segment reporting

(38) 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 and IPOs. The divisions are each operated by the companies included in the MWB Groups consolidated financial statements. The divisions do not receive any services from the other divisions.

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

	Specialist Business, Securities Trading TEUR	Asset-Management, IPOs TEUR	Consolidation TEUR	Group TEUR
Net interest income	508	56		564
Net commission income	769	120		889
Trading profit	2,937	0		2,937
Personnel expenses	2,185	375		2,560
Scheduled depreciation of property, plant and equipment	349	14		363
Other administrative expenses	4,113	363	16	4,492
Balance of other operating income/expenses	342	112		454
Net income for the year by segments	- 6,744	-3,966	16	-7,155
Assets	22,069	4,756	-4,795	22,030
Liabilities	2,083	211		2,294
Risk items	16,318	2,648		14,478
Allocated capital	19,986	4,545	-4,795	19,736
Expense/income ratio	161,62	285,8		152,83

The consolidation booking of TEUR 16 includes goodwill amortization.

Other notes

(39) Classification of residual terms

	up to 1 month 12/31/2002 TEUR	up to 1 month 12/31/2001 TEUR	up to 3 months 12/31/2002 TEUR
Receivables			
Receivables from customers	18	9	18
Limited-term receivables from banks	15,008	14,968	15,008
Liabilities			
Limited-term liabilities to banks	176	49	176

(40) 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, 2002.

According to the cooperation agreement dated March 18, 2003, between MWB Wertpapierhandelsbank GmbH and Mr. Christian Maier and Mr. Jürgen Kientz, MWB Wertpapierhandelsbank GmbH has an option to acquire a 60 % interest in MWB Baden GmbH. As reciprocation, MWB Wertpapierhandelsbank GmbH has undertaken to transfer the customer stocks of MWB Wertpapierhandelsbank GmbH's Offenburg/Baden branch, which is currently still run as a branch of MWB Wertpapierhandelsbank GmbH, to MWB Baden GmbH after the Federal Financial Services Supervisory Authority (Bundesamt für Finanzdienstleistungsaufsicht) has issued authorization to operate financial services.

The cooperation agreement is limited to December 31, 2003.

As of December 31, 2002 the Federal Financial Services Supervisory Authority had not passed a decision on issuing the authorization – either in full or in part – that had been applied for to operate financial services. This means that, in line with IAS 37, there is a contingent liability to transfer the customer stock to MWB Baden GmbH from a pending contract.

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

	12/31/2002	12/31/2001
	TEUR	TEUR
Rental agreement		
Due 2002		97
Due 2003	99	49
Due 2004	40	12
Due 2005	0	0
Consulting contract		
Due 2002		25
Due 2003	25	0
	TUSD	TUSD
Securities information services		
Due 2002		25
Due 2003	20	0
Due 2004	8	0

(41) Assets assigned as collateral

Some of the receivables from banks are a deposit investment as collateral for default guarantees totaling TEUR 3,250, 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 TEUR 500, it can avail itself of this deposit at any time.

(42) Employees

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

	2002	2001
Graefelfing office	18	24
Munich	3	7
Berlin	6	8
Frankfurt	5	5
	32	**44**

(43) Remuneration for members of the Management and Supervisory Boards

The total remuneration for the Supervisory Board members totaled TEUR 80. The members of the Management Board each received equal remuneration which together totaled TEUR 478. Remuneration for former members of the Management Board totaled TEUR 21. The remuneration for the Management and Supervisory Boards did not comprise a performance-based component in the year under review.

(44) Members of the Mangement and Supervisory Boards

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

- Mr. Thomas Mühlbauer, Graefelfing, Stock Broker
- Mrs. Christine Niederreuther-Rohrhirsch, Munich, Stock Broker
- Mr. Thomas Posovatz, Munich, Stock Broker

Mr. Mühlbauer is a member of the Supervisory Board of Bayerische Börse AG, Munich.

The company's Supervisory Board had the following members:

- Mr. Paul Berwein, Stock Broker, deceased on November 8, 2002. Chairman until November 8, 2002
- Mr. Peter Hausmann, Secretary of State (retired), Consultant, resigned on December 31, 2002. Deputy Chairman until December 17, 2002. Chairman from December 18, 2002 to December 31, 2002
- Mr. Thomas Mayrhofer, Lawyer, from November 27, 2002. Deputy Chairman from December 18, 2002
- Mr. Dr. Ulrich Wastl, Lawyer, resigned on December 31, 2002.

In addition to his position on MWB Wertpapierhandelshaus AG's Supervisory Board, Mr. Hausmann held an office with the following company in 2002:

- Video Film Telecast AG, Munich/Zurich (Member of the Board of Directors)

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 2002:

- Best AG, Töging am Inn (Deputy Chairman),
- BrainLAB AG, Kirchheim-Heimstetten (Deputy Chairman),
- Primus AG, Munich (Chairman),
- PTV Planung Transport Verkehr AG, Karlsruhe,
- SLS HV-Management AG, Schwabhausen (Deputy Chairman)

The following were appointed as members of the Supervisory Board effective March 18, 2003:

- Mr. Dr. Ottheinz Jung-Senssfelder, Lawyer
- Mr. Michael Wilhelm, Auditor

Graefelfing, March 31, 2003

Independent Auditor´s Report

We have audited the consolidated financial statements, comprising the balance sheet, the income statement and the statements of changes in shareholders´equity and cash flows as well as the notes to the financial statements prepared by MWB Wertpapierhandelshaus AG, Graefelfing, for the business year from January 1, to December 31, 2002. The preparation and the content of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) are the responsibility of the Company´s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

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

Our audit, which also extends to the group management report prepared by the Company´s management for the business year from January 1 to December 31, 2002, has not led to any reservations. In our opinion on the whole the group management report provides a suitable understanding of the Group´s position and suitably presents the risks of future development. In addition, we confirm that the consolidated financial statements and the group management report for the business year from January 1 to December 31, 2002, statisfy the conditions required for the Company´s exemption from ist duty to prepare consolidated financial statements and the group management report in accordance with German law.

Munich, April 4, 2003

KPMG
Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Schobel
Wirtschaftsprüfer

Pastor
Wirtschaftsprüfer

(Independent Auditors)

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
- Bavarian Stock Exchange (Munich)
- Berlin Stock Exchange
- Frankfurt Stock Exchange
- Rhineland-Westphalia Stock Exchange in Duesseldorf
- Baden-Wuerttemberg Stock Exchange

Member of the Bundesverband der Wertpapierhandelsfirmen e.V.
(Federal Association of Securities Dealers)

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