



Märkte · Wertpapiere · Börsen

Annual Report 2003

2003

MWB
WERTPAPIERHANDELSHAUS
AKTIENGESELLSCHAFT

Our company's history now spans a decade - ten years in which MWB AG's quality and stability have been proved time and time over. MWB's quality was even enough to emerge in an even stronger position from a long bear market with a high liquidity and equity ratio. And stability can't be explained in figures, but only by the people behind the figures: shareholders who have placed their trust in us. Customers who trust us to execute their orders. Financial specialists who take our advice when developing new market models. Members of the Managing and Supervisory Boards who set our strategic course to guarantee our company's continued existence. And above all: our employees, who work with unflagging motivation day after day – even when the going gets tough.

Quality means more than just a financial buffer. It also means convincing people with our professional expertise over the long term – it is the combination of both of these aspects that has made us one of Germany's key securities trading companies within the space of the last ten years. And it will enable us to further benefit from the recovery of the capital markets.

10 Years of MWB AG

Our thanks already go to everyone who accompanies us on this road.

MWB Group	2003	2002	+/- in %
Commission result	TEUR 1,086	TEUR 889	+22
Trading result	TEUR 3,008	TEUR 2,937	+2
Personnel expenses	TEUR 2,539	TEUR 2,560	-1
Administrative expenses	TEUR 4,526	TEUR 4,855	-7
Profit from ordinary activities	TEUR -2,423	TEUR -6,074	+60
Net loss	TEUR -2,331	TEUR -7,155	+67
Balance sheet total	TEUR 19,778	TEUR 22,030	-10
Equity	TEUR 17,522	TEUR 19,735	-11
Earnings per share	€ -0.20	€ -1.01	+80
Number of employees	29	33	-12

At a Glance



Märkte · Wertpapiere · Börsen

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Letter to Shareholders

Letter to Shareholders

Dear Shareholders,

MWB AG celebrated its 10th anniversary in 2003, and at least the second half of the year brought a little cheer. Whereas the first quarter suffered as a result of the conflict in Iraq and the DAX fell to a low of 2,188 points, the first signs of a recovery could already be seen in April and May. By the end of the year, the key German index climbed by a whole 81 % to 3,965 points – an impressive catch-up, which continued at the start of 2004. As was to be expected, the markets' recovery had a positive impact above all on financial stocks. For example, MWB's share price was also able to rise substantially. As of December 31, 2003, the share was listed at € 2.44 - up 25 % year-on-year. The end of the slump seemed to have been reached, even though share price increases as we came to know them at the turn of the millennium are still a long way off - due to the unstable global political situation and the reserve shown by consumers.

Improvement to commission result

By its very nature, a stock market recovery brings improved trading opportunities. As a result of this, MWB AG's commission result improved markedly compared to 2002. It increased from € 889 thousand to € 1,086 thousand, as did the trading result, which lifted lightly by € 71 thousand to € 3,008 thousand. This growth is even more pleasing in view of the fact that turnover for foreign shares, our

core business, decreased for the third successive year. This figure fell to a low of € 173 billion (-19.5 %) – a level nobody would have thought possible just 24 months ago. Turnover in foreign stocks was only up year-on-year in the month of September – at € 19.8 billion. In comparison: During the whole of 2000 turnover in foreign stocks totaled € 679 billion in Germany. The fact that MWB AG was able to significantly improve its result from ordinary activities given these underlying conditions is clear proof of our employees' commitment and competence. However, despite all of our efforts we were not able to record a balanced result in 2003. But the change from € -2,423 thousand compared to € -6,074 thousand in 2002 is a clear signal for our pending return to the profit zone.

Securing quality – long term

The upwards shift on the stock markets was no reason for us to sit back and fold our hands. In order to sustain the trust placed in our company, we implemented several measures during the period under review to secure MWB AG's quality over the long term. For example, we consistently continued the cost-cutting program started in 2001. As a result, our administrative expenses fell again from € 4,855 thousand to € 4,526 thousand and personnel costs fell from € 2,560 thousand to € 2,539 thousand. As was fitting, no bonuses and premiums were paid to the Managing and Supervisory Board members. However, the key measure to sustain the company's value was the reorientation

of our divisions. Our motto was "Focus on essentials", and we not only decided to dissolve our IPO Consulting division by the end of the year, but also to part company with MWB Wertpapierhandelsbank GmbH, which had been a wholly-owned subsidiary of MWB Wertpapierhandelshaus AG. MWB Wertpapierhandelsbank discontinued its operations as of December 31, 2003. The "shell company" with its corresponding authorizations by the banking supervisory authorities is to be sold in the near future. However, this does not mean that we are completely withdrawing from the lucrative private asset management market - it is much rather the case that these operations are being transferred to MWB Baden GmbH in Offenburg from January 2004. MWB AG continues to hold a 60 % interest in this company. The reason for this step is quite simple: whereas MWB Wertpapierhandelsbank as a whole did not succeed in increasing the volume of assets managed to the planned extent, MWB Baden has been able to establish itself quickly on a limited regional market. This is primarily due to the highly qualified management, which has its roots in the Baden region. We believe that holding an interest makes more sense than operating our own company from a cost/benefit perspective. We also view IPO business in the same earnings-oriented light: we can hardly expect that the number of IPOs will increase disproportionately over the coming years. This means that the division's income and expenses would not be proportionate over the long term. Mr. Bernd Ertl, the former head



On a clear course:
IPO consulting dissolved and private asset management spun off

of our IPO business, had left our company already at the end of the first quarter.

People make markets

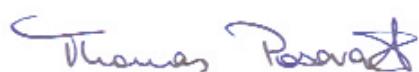
Once again, the past fiscal year showed how much more strongly human emotions, fears and hopes impact the financial markets than abstract forecasts and models. And we have clearly seen that pure logic, which excludes human involvement, is rapidly reaching its limits. What does that mean for MWB AG? Investing more than ever before is a matter of trust. That takes openness, honesty, and the ability to react to changes on the market calmly and reasonably.

This is the course supported by our Supervisory Board from the very outset, and for which we would like to take this opportunity to thank them.

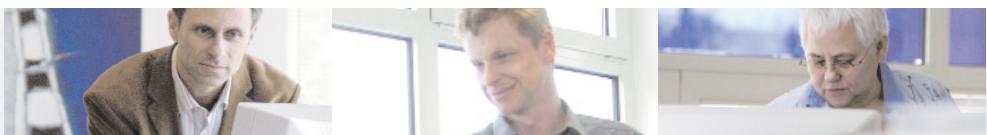
We would also like to thank all of our employees – who have exhibited extraordinary performance over the past three, tough years on the stock markets. And last but not least we would like to thank you, our shareholders.

Your loyalty and your trust in our company's quality are the foundations on which MWB is built.

Best wishes for 2004



Speaker of the Management Board



Promising success:
Profits from ordinary activities up

Management Board

**Thomas Mühlbauer**

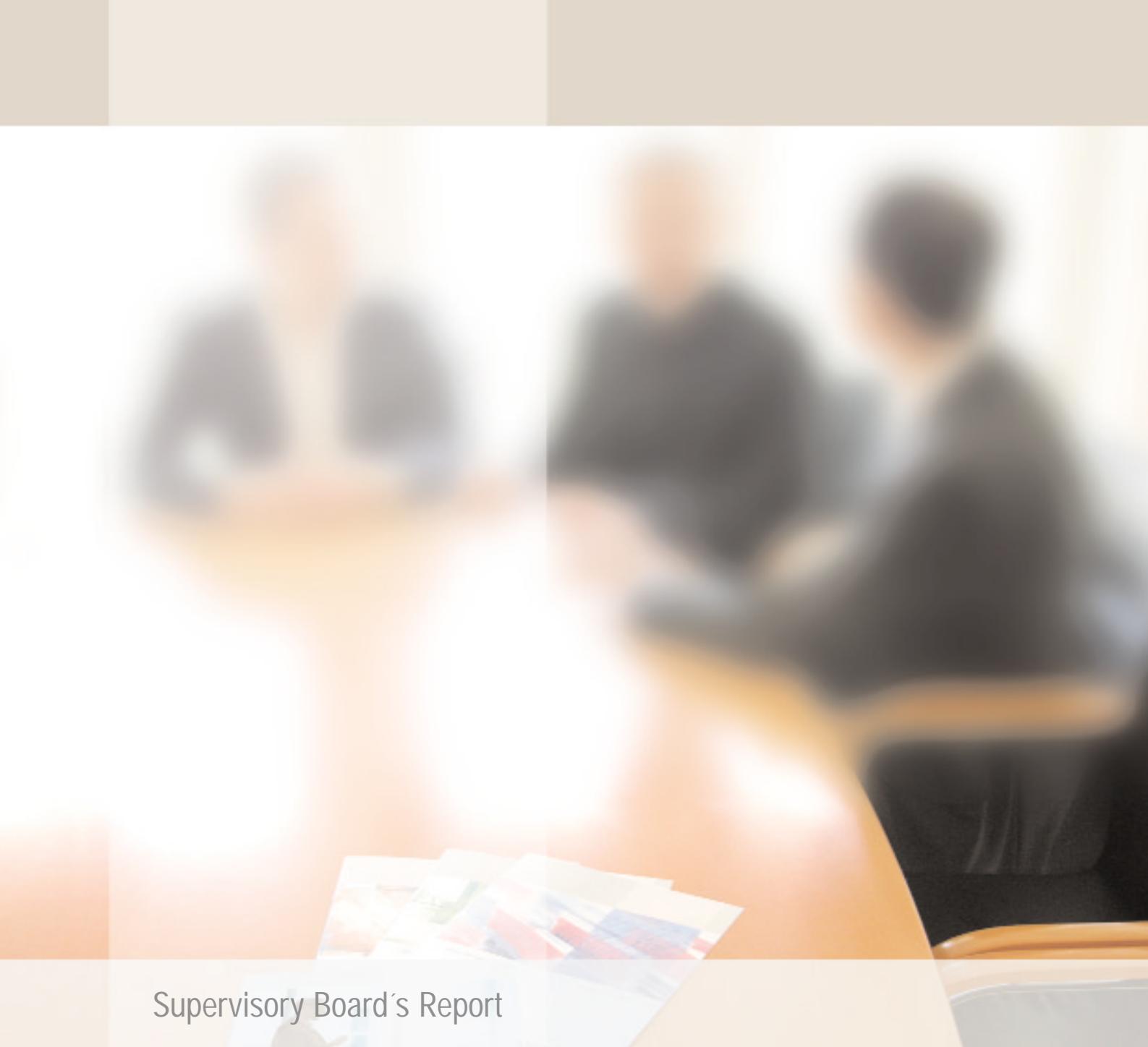
Management Board Member
in charge of Securities Trading

Thomas Posovatz

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

Christine Niederreuther-Rohrhirsch

Management Board Member in charge
of Personnel, Accounting and Compliance



Supervisory Board's Report

Supervisory Board's Report

Dear Shareholders,

During fiscal year 2003, the Supervisory Board monitored the Company's Managing Board and fulfilled its duties in accordance with its obligations as specified by both legal and statutory requirements. The members of the Supervisory Board were informed of business policy, fundamental management issues, the company's and the group's situation and growth, and key business transactions in good time by the Managing Board both in written and verbal reports. The members of the Supervisory Board discussed these issues in depth with the Managing Board. Questions concerning the strategic realignment of the company, the discontinuation of existing and the formation of new divisions were a constant topic of discussion. The Supervisory Board also dealt with the results of examinations of the business. No Supervisory Board committees were formed.

There were five meetings of the Supervisory Board during fiscal year 2003 on April 15, May 16, June 25, October 7 and December 1, 2003, with all of the members of the Supervisory and Managing Boards participating. The members of the Supervisory Board were also in constant contact with the Managing Board regarding ongoing business developments between the individual meetings of the Supervisory Board.

After three years with some significant losses on the equities market, the turnaround expected by many market

players became reality in 2003. Securities trading companies' earnings improved visibly in this environment, and this was also the case for MWB Wertpapierhandelshaus AG. Share prices increased, however turnover levels were still hesitant, and the company succeeded in significantly reducing its losses compared to the previous years. However it did not succeed in reaching the forecast balanced result. As a result, during the current fiscal year the Supervisory Board will deal in particular with the results of the measures taken to strategically further develop the company.

The company's annual financial statements and the consolidated financial statements including the management and group management report were audited by KPMG Deutsche Treuhand-Gesellschaft AG Wirtschaftsprüfungsgesellschaft, Frankfurt and Berlin. The annual financial statements and the management report and the consolidated financial statements and the group management report have been issued with an unqualified audit opinion. The Supervisory Board discussed the annual financial statements and the consolidated financial statements with the Managing Board and the auditors in the Supervisory Board meeting to review the accounts on April 21, 2004. After its final review of the annual financial statements and the consolidated financial statements on December 31, 2003 and of the management reports, the Supervisory Board concurs with the findings of the auditor. The Supervisory Board approved the annual financial statements and consolidated financial statements

prepared by the Managing Board on April 21, 2004. The financial statements are thus adopted in line with section 172 of the Aktiengesetz (AktG - German Public Companies Act).

The Supervisory Board discussed fundamental issues of corporate governance in the Supervisory Board meeting on October 7, 2003 and declared its basic agreement with the recommendations of the Corporate Governance Code. In this meeting, the Supervisory Board inter alia resolved the declaration of conformity for 2003. In the Supervisory Board meeting on December 1, 2003 the Supervisory Board conducted an efficiency review of his activity.

The Supervisory Board would like to thank all of the employees and the company's Managing Board for their commitment in fiscal year 2003.

Graefeling, April 2004

Dr. Ottheinz Jung-Sensfelder

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



Dr. Ottheinz Jung-Sensfelder
Chairman



Thomas Mayrhofer
Vice Chairman



Dipl.Kfm. Michael Wilhelm



Corporate Governance Report

Corporate Governance Report

Supplements to the Corporate Governance Code

The Corporate Governance Code has met with broad-scale acceptance since its introduction in February 2002. With a very few exceptions, all listed companies in Germany have published a declaration of conformity. This declaration describes the extent to which the managing and supervisory boards follow the "Recommendations for responsible corporate management" and the key points in which they do not follow these recommendations. The "German Corporate Governance Code" government commission resolved supplementary changes to the code as part of the Transparenz- und Publizitätsgesetz (Transparency and Disclosure Act) on May 21, 2003. These primarily relate to the system of remuneration for the managing and supervisory boards and the disclosure of this remuneration. In future, listed companies' remuneration models are to be detailed in writing on the company's Web site and verbally at the General Meeting. In view of many investors' skepticism this is certainly a reasonable step which will enhance transparency.

Deviation on two points only

MWB AG welcomes every initiative to promote the German equities culture. We believe that the Corporate Governance Code is a key instrument that will restore the attractiveness of the stock market for private investors in particular. This is why we already issued a declaration of conformity for the new version of the code back in October 2003, and published this on our web site. We follow all of the commission's recommendations with two exceptions, which are purely formalities: as our Supervisory Board only comprises three members, we do not believe that it is pertinent to form additional committees within the Supervisory Board. This is particularly the case as the committees required must comprise at least two members. Our new Supervisory Board's exemplary work over the past months has also shown that informal exchanges function excellently – even without additional committees. The second deviation

from the recommendations relates to the publication dates for the consolidated financial statements and interim reports. We believe that the proposed period of 90 days for publication of the annual figures and 45 days for publication of the quarterly statements is too short. That is why we have chosen to follow Deutsche Börse AG's official publication periods. These require a period of four or two months respectively for Prime Standard companies.

Performance-based remuneration for the Supervisory Board

We now follow one item of the code which we did not follow last year: whereas remuneration for the Supervisory Board was not performance-related in 2002, we put this compensation model into place in 2003. As a result, remuneration for the Supervisory Board comprises a fixed component and a variable or performance-dependent component.

You can find the current declaration of conformity on our web site under www.mwb.de.



Trust-building:
Corporate Governance Code established



The Business Segments

The Business Segments

Upswing on the stock markets

Germany's securities trading companies can breathe a sigh of relief. After months of waiting, trust returned to the stock markets in the second half of 2003. This is not only shown in the lifting share prices, but also in the continuous increase in trading volume – the most important indicator for the trading and commission result. These competitors who had the patience and quality to survive the bear market are well equipped for starting afresh. Three years of slashing costs means that these are lean, flexible companies acting on a market that has been swept clean of the weaker players – and the business from the companies that failed during the bear market is now split among the remaining players, including MWB AG.

Trading in foreign stocks still weak

The only disappointment for MWB is the poor growth exhibited by trading in foreign stocks. Although 13 % of the entire trading volume was generated

with international securities in 2000, this figure had dropped to just 5.6 % in 2003. This is primarily due to the low level of interest shown by private investors, who tend to fall back on traditional shares, well-known to them from their own country, in times of crisis. As institutional investors are mostly active on the domestic markets of foreign companies, private investors are the most important clients for this market in Germany. Despite the unsatisfactory situation, we believe that this sector also allows optimism for the future. Shares in around 6,000 companies are still traded OTC – mostly not listed by the companies themselves but by brokers such as MWB. Another advantage: almost half of these equities are not traded on Xetra, and are thus a potential source of income for specialists.

Trading and Specialist Business

Although turnover in foreign stocks took a downturn, MWB AG has succeeded in improving its commission result. This increased from € 769 thousand to € 841 thousand.

Trading profits also grew – albeit not quite so significantly, but also positively, and totaled € 3,038 thousand. After doubling to € 2,966 thousand in the previous year, a renewed increase of this amount was not to be expected. That means that this is still a respectable result. During the period under review, MWB AG supported 1,650 securities, a slight increase of 50 securities. The excellent performance of MAX-ONE, Munich Stock Exchange's new market model, made a key contribution to the upwards movement, above all from September to November. In addition, the amended provision agreement for Frankfurt Stock Exchange also played a significant role – this agreement will secure us higher income on one of the country's key stock exchanges over the long term

MAX-ONE becomes established on the German Stock Market

In addition to the market leader Frankfurt, there are seven regional exchanges in Germany. Too many, as experts point out time and time over. Survival of the fittest has been the



MAX-ONE – a model for success:
*Nearly four-fold increase in commission at
Munich Stock Exchange*

name of the game for quite some time among these exchanges. New business models and trading systems aim to create advantages for the individual exchanges. Since the end of NASDAQ Deutschland in Berlin on August 29, 2003 (with a record-setting short lifespan of just 20 weeks), a clear winner became apparent in 2003:

After the introduction of the new MAX-ONE trading system, turnover on the Munich Stock Exchange has increased continuously and in 2003 this was up by around 40 % on the previous year. This makes Munich the third largest German stock exchange. The secret to this success is to be found in this exchange's positioning as a niche market, coupled with its dedication to proven solutions: On-floor trading with so-called specialists, appears to be more interesting, in particular for private investors and mid-size companies than purely electronic trading systems such as Xetra in Frankfurt. The "specialist guarantee" in Munich promises immediate execution at the best available price even for smaller orders. More than 90 % of orders are executed within just 60 seconds. Additional costs for partial execution, as can occur with fully-automated systems, are mostly eliminated.

Evening trading – a lucrative niche

After Xetra trading hours were shortened to end at 5.30 pm, many orders have migrated to the Bavarian capital. The number of securities traded now totals 5,300. However Munich Stock Exchange is not resting on its laurels: the next stage of MAX-ONE will take effect as of March 29, 2004 – which will

make it possible to execute orders even faster. As one of just five "specialists", MWB AG will benefit directly from the upswing on the Munich Exchange. Our commission (as a measurement for turnover) increased almost four-fold during the past year – a success which means a great deal to us, as MWB AG was involved in developing MAX-ONE. As a participating financial institute, our objective was not to overvalue either man or machine, but to create an ideal combination of these two components: human beings' ability to take individual decisions and the speed of electronic platforms. Success shows that our philosophy is correct – a philosophy which states that the human component is a must-have on the stock market.

Order Execution / Institutional Sales

As part of our change of strategy – and our shift towards becoming more commission-oriented – in 2002 we decided to reactivate our Order Execution division. This step has paid off just one year later: almost 50 % of our total commission income stems from Order Execution for banks. Our forecast that many banks without their own order execution department will fall back on external service providers was correct. As in all of our divisions, the personal approach also paid off here. Order execution is a service that is tailored to the respective client – a service based on trust. Irrespective of standardized order routing or electronic trading platforms, the quality of the individual decision including the right timing plays a major role. MWB AG's employees have proven themselves quite clearly in this niche market. Our Institutional Sales division,

which trades on behalf of institutional investors, also exhibited highly promising growth – albeit not quite as successful as Order Execution. The contributions to earnings was below our expectations, which is why we will focus particularly on expanding this division in the coming months.

MWB Wertpapierhandelsbank

MWB Wertpapierhandelsbank was formed in 1999 – when IPOs were peaking. New divisions such as capital markets consulting or private asset management aimed to provide MWB AG with broader foundations. Of course the securities trading company also had expertise in other areas, and these apparently lucrative additional markets also offered an opportunity to use this expertise. However, events overtook these ambitious plans. After the stock market collapsed the IPO market effectively came to a standstill and investors returned to more conservative forms of investment, such as real estate. During a review of all divisions, MWB AG's Managing and Supervisory Boards both reached the conclusion that the two markets – IPO consulting and asset management – would not reach their original volumes in the foreseeable future. Continuing these divisions would have tied up capital expenditure over a long period and only made a minor contribution to earnings. As a result, we decided to dissolve the IPO and capital markets consulting division, and to spin off asset management from operations via an interest in MWB Baden GmbH. This decision was also taken in view of the fact that MWB Wertpapierhandelsbank doubled its commission income to 241



**Strategic niche:
New Order Execution division
is largest growth factor**

The Business Segments

thousand compared to 2002, but only made a contribution of 22 % to consolidated earnings. The greater part of this was generated in Offenburg.

IPO and Capital Market Consulting

With the exception of a few capital increases there were no new IPOs in Germany in 2003. As a result, the decision did not record any sales. Our hopes of creating interest among possible issuers via alternative forms of financing such as "Mittelstand" bonds (bonds for mid-size companies) or convertible bonds also remained unfulfilled. As a result we ceased operating activities effective December 31, 2003. Until this date, Thomas Mühlbauer, member of MWB AG's Managing Board, was the MWB Wertpapierhandelsbank's provisional managing director for this division. This division's previous manager, Bernd Ertl, already had left MWB GmbH at the end of the first quarter.

Asset Management

As of December 31, 2003, MWB Wertpapierhandelsbank managed assets worth around € 19 million for 238 private clients. MWB Baden, our Offenburg branch formed in 2002 contributed the bulk of this figure, € 11.1 million. The € 3.5 million growth confirms a positive market trend, however we have fallen far short of achieving our original target of € 100 million of assets under management. That allows us to conclude that a regional company such as MWB Baden GmbH can operate successfully in this sector, however

that operating a wholly-owned subsidiary is not worthwhile for MWB AG. This is why MWB Wertpapierhandelsbank's operations were discontinued as of December 31, 2003 and asset management was spun off to MWB Baden GmbH.

In connection with this decision we also terminated our support of the IDEAL Financial Global Flex investment fund. The fund operator has already dissolved the fund.

Many of MWB Wertpapierhandelsbank's customers were transferred to MWB Baden GmbH as of January 1, 2004. We now hold a 60 % interest in this company. Discontinuing MWB Wertpapierhandelsbank by no means involves withdrawing completely from private asset management - we are just relocating our expertise. We will benefit from the investments we have made over the past few years thanks to our 60 % interest – and yet we will be able to concentrate on our core business and save a significant amount of costs. This split is also motivation for MWB Baden's two managing directors, Christian Maier and Jürgen Kientz, who can act independently thanks to their 40 % interest. Wolfgang Grau, this division's former manager, had already left MWB at the end of June.

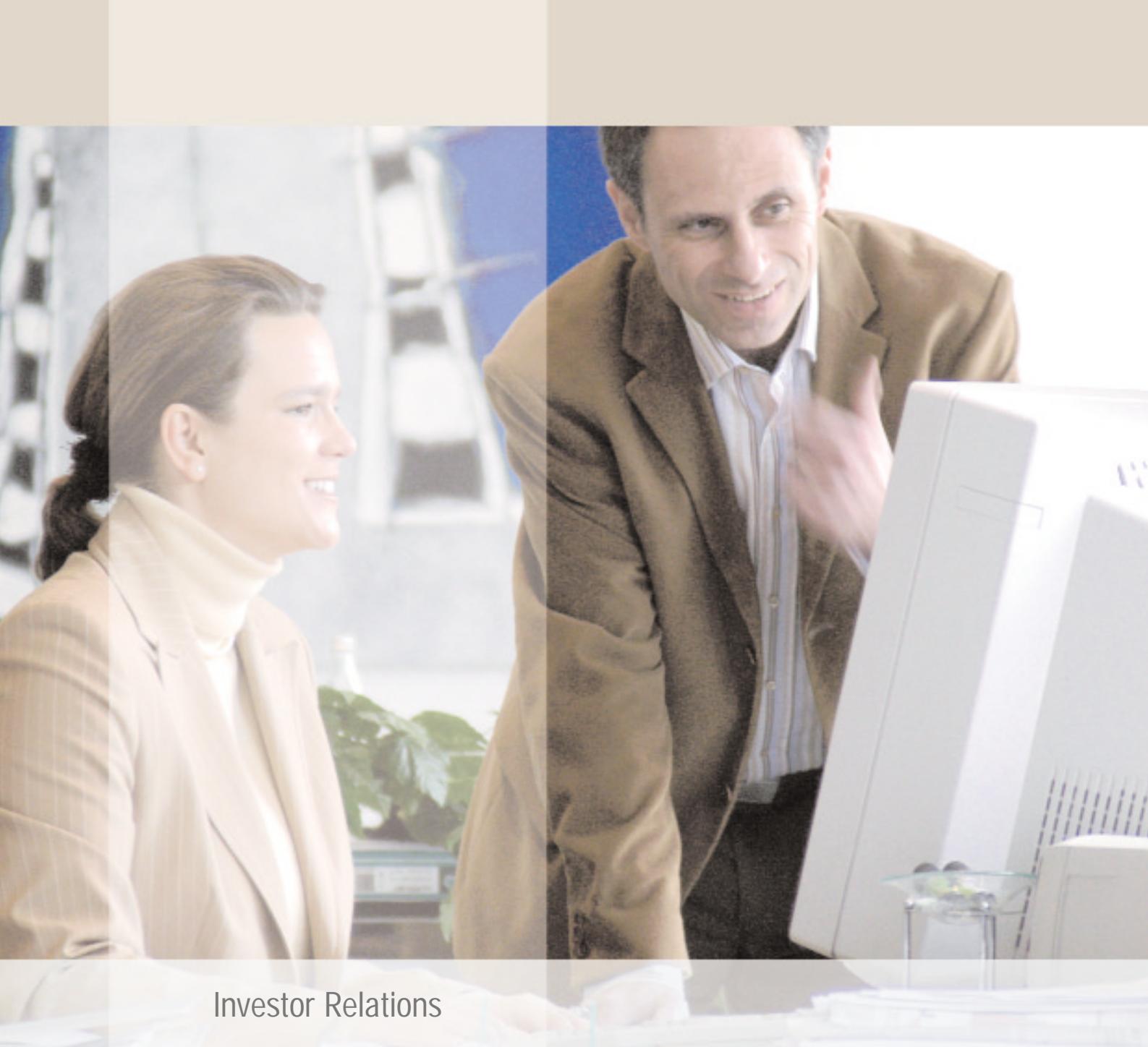
Outlook

On markets that are moving increasingly quickly, flexibility and an ability to learn have become crucial factors for survival. MWB AG already reacted to the altered underlying conditions in 2002 by changing its strategy, and is now continuing this path with a clear

commitment to concentrate on its core competences. The end of MWB Wertpapierhandelsbank is a further step along this path towards improved earnings, which will benefit you, our shareholders. We believe that we will return to the profit zone in 2004.



Commitment with a future:
Interest in MWB Baden replaces
loss-making MWB Wertpapierhandelsbank



Investor Relations

Increasing trust in MWB's shares

After closing 2002 at € 1.95, MWB's share price shot up to € 2.44 by December 31, 2003. And there were a host of contrasting emotions in between: the price slumped to € 1.35 during the war against Iraq, and lifted to € 2.97 during bullish September – the highest price in the last two years.

The change for the better could be clearly seen by the fact that there was no danger even during a comparative low as in July 2002 (€ 1.00). The significant share price growth was reflected by the market environment: securities trading houses are generally the first companies to benefit from a stock market recovery. In addition, investors are now honoring the brokers' efforts to consolidate. As a result it is not surprising that MWB's shares have traded constantly above the € 3 mark since the start of 2004.

Prime Standard for a year

The improved standing of MWB's shares is certainly also due to our admission to the Prime Standard segment. MWB AG has been listed in this segment since January 1, 2003. The Prime Standard publicity requirements are significantly higher than those of the "General Standard". Our experience during the first year has shown us that our decision to be included in the higher standard was correct. Many companies discussed the costs involved, however we believe that such discussions bear little fruit. At the end of the day, only 371 companies were listed in the Prime Standard on the Frankfurt Stock Exchange in January 2004, and this alone gives them a certain exclusivity. This is coupled with the fact that public limited companies which follow internationally applicable rules for reporting requirements and accounting are much more attractive for foreign investors – and this is a key



25 % growth:
MWB's share at two-year high

advantage in particular for lesser known companies. All-in-all, we believe that the Prime Standard listing is simply a must. Our inclusion in this segment is the logical consequence of our basic attitude that we can act on the market with the maximum degree of professionalism – even as a small company.

Keeping in touch

In order to bolster the trust that we have regained, MWB AG is continuing its open dialog policy. We will continue to develop the exchange of information with our shareholders, customers

and the press just as intensively in 2004 as in previous years. For example, our participation in the INVEST investors' fair in Stuttgart from March 5–7, 2004 is a key impetus.

As part of our targeted public relations work we will again hold our financials press conference on May 12, 2004 at the Munich Stock Exchange. The most important date for our shareholders will be our General Meeting on June 23, 2004 – you will receive a separate invitation to this meeting.

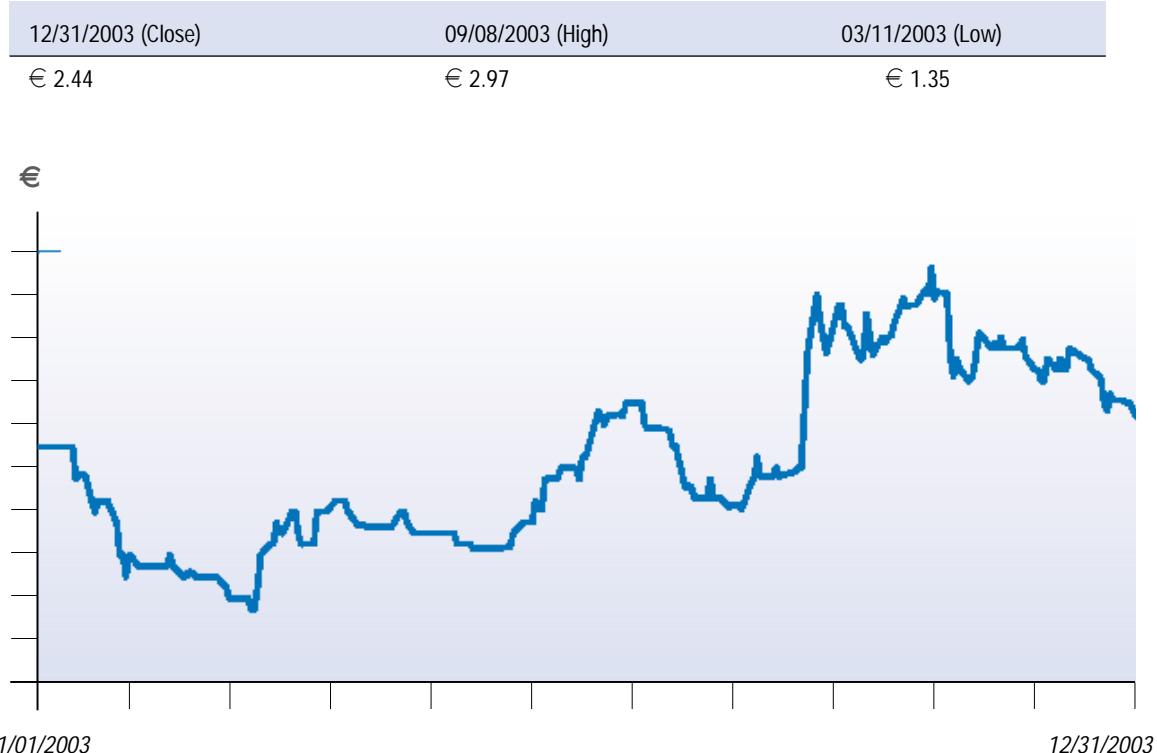
We're already looking forward to seeing you again in Munich!



Raising our sights:

Prime standard – tried-and-trusted

Performance of MWB's share price (€)



Price of MWB's shares from January 1, 2003 to December 31, 2003

2004 Schedule

Date	Topic	Place
02/26/2004	Publication of interim figures 2003	
03/05 – 03/07/2004	Participating at the INVEST 2004	Stuttgart
04/22/2004	Publication of first quarter figures 2004	
05/12/2004	Balance sheet press conference	Munich
06/23/2004	Annual Shareholder's meeting	Munich
07/22/2004	Publication of semiannual figures 2004	
10/21/2004	Publication of third quarter figures 2004	
4 th quarter	Analysts conference	Frankfurt a. M.



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Financial Section

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The economic environment in fiscal year 2003

The stock market turnaround expected by many market players became a reality in fiscal year 2003. Although the first quarter was still overshadowed by the conflict with Iraq, the second quarter brought with it a significant recovery in global share prices. During the course of the year, the economic forecasts improved from one quarter to the next, with the US again playing the lead role. After the first six months, and more so even at the end of the third quarter, many companies reported substantially improved earnings, however these were mostly achieved thanks to cost cuts. When it comes to German equities, technology stocks are experiencing a comeback – albeit a much more cautious one than during the boom in 1998 to 2000.

The strong downturn of turnover in Germany after the bomb attack in Istanbul in November 2003 shows just how susceptible the stock market still is – above all to political issues.

The share prices for securities trading companies were one of the prime beneficiaries of the friendly basic movement on the stock markets – and experts now expect these companies to record increased income if share prices continue to rise. Overall in all this sector the selection and consolidation pressure which could still be

observed in the first half of 2003 now seems to have abated.

the form of NASDAQ Deutschland failed after six months.

1. Business development

The business development in 2003 was characterized by four highly different quarters. The extremely weak first quarter was followed by an improved second quarter and an even better third quarter as hopes of a recovery started to grow. The fourth quarter was again slightly weaker.

Trading, market making and specialist business

Turnover in foreign stocks in Germany was down in 2003 for the third consecutive year. It was again 19.5 % down on the 2002 figure at € 173 billion. The proportion of foreign stocks in total equities turnover in Germany fell to 5.6 % in 2003. This figure totaled 13 % in 2000.

2002 and the first half of 2003 were characterized by the development of alternative trading and market models as survival strategies for the individual regional exchanges. The competition among these market models was quite clearly won by the computer-assisted specialist model, exemplified by MAX-ONE, the new system in use at the Munich Stock Exchange. Efforts by the Berlin-Bremen Stock Exchange to establish an internalization model in

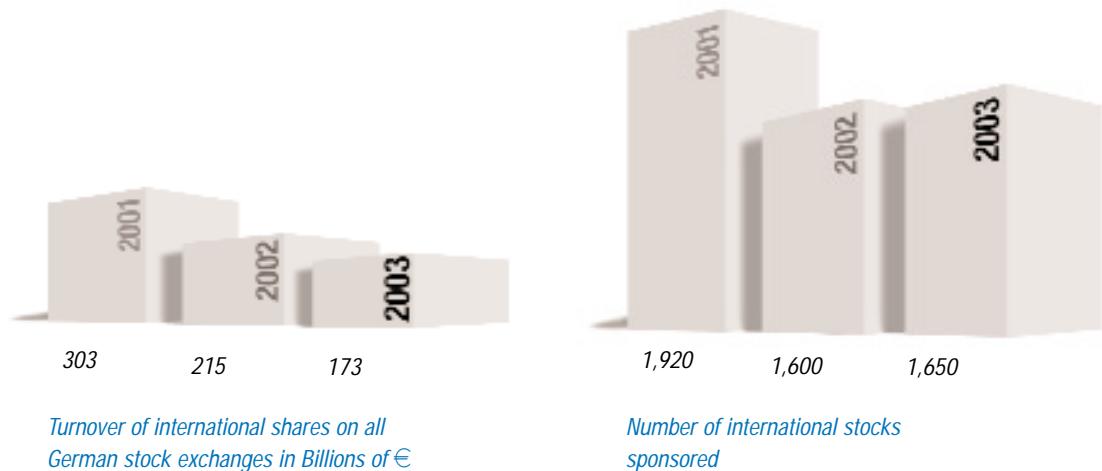
MAX-ONE's success can be quite clearly seen in the MWB AG's commission earnings at the Munich Stock Exchange. Although turnover in foreign stocks fell on all the stock exchanges, our commission from the Munich Stock Exchange has increased four-fold since the launch of MAX-ONE.

The number of shares sponsored by MWB increased slightly by 50 in 2003 to 1,650, this figure currently totals around 1,780.

The test transactions for options trading we conducted (so-called "covered call writing" strategy) were processed successfully. Taking into account the underlying risks, MWB's management believes that this strategy offers excellent earnings potential – in particular when stock markets are volatile. This is why MWB conducted a transparent number of options transactions during the course of 2003.

Order Execution and Institutional Sales

The strategy we resolved in 2002 to transition our activities to be more strongly commission oriented and thus to reactivate our Order Execution division for banks has been confirmed. Almost half of our commission income in 2003 stemmed from this division.



This service is characterized by customized customer support and high quality order execution. We believe that this division offers high potential and will continue to reinforce our efforts to win additional customers in 2004.

Earnings in the Institutional Sales division were still unsatisfactory in 2003. Despite numerous efforts we were not able to generate the desired amount of commission income. However, MWB Wertpapierhandelshaus AG's management believes that this division is a shrewd and important supplement to its core business.

Business growth at MWB Wertpapierhandelsbank GmbH

Business growth at MWB Wertpapierhandelsbank GmbH was mostly unsatisfactory during the past fiscal year.

The economic environment and the bad experiences from 1999 and 2000 meant that real IPO business was still not possible in Germany in 2003. Convertible bonds, the product we favored, met with a great deal of interest among small and mid-size companies, however no such bonds projects were actually implemented in 2003. There was only very limited demand for our capital markets consulting services.

There was also a change to management in this division at the end of the

first quarter 2003. Bernd Ertl left the company, and Thomas Mühlbauer was appointed as his successor as managing director. Mr. Mühlbauer is also a member of MWB Wertpapierhandelshaus AG's Managing Board.

As no positive growth can be forecast for IPO and capital markets consulting, the group's management decided to discontinue this division as of the end of the year 2003.

The group management already announced at the start of 2003 that it would track the development in the Private Asset Management division critically and that it would react if necessary. The target of achieving assets under management of € 100 million during the course of the year was not met. In spite of this, however, this division's earnings improved significantly last year. This is primarily due to two reasons: firstly, as already mentioned above the stock market improved, and secondly our Offenburg branch performed excellently. In addition to increasing commission income, this allowed us to increase assets under management from € 15.5 million to around € 19 million, of which € 11.1 million were managed in Offenburg. The number of customers increased from 164 to 238, of which 143 were in Offenburg.

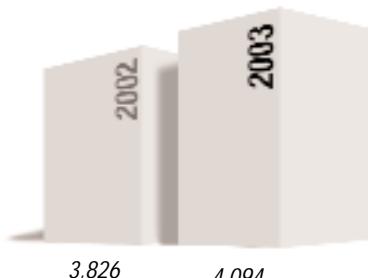
As of June 30, 2003, a change was made to the management of MWB

Wertpapierhandelsbank GmbH. Wolfgang Grau, who had been the managing director responsible for this division, left the bank. Christian Maier of our Offenburg branch was appointed as his successor.

As a result of the business growth, MWB Wertpapierhandelsbank GmbH discontinued its business operations as of December 31, 2003 in agreement with the Bundesamt für Finanzdienstleistungsaufsicht (Federal Financial Services Supervisory Authority) while provisionally maintaining its license. The remaining asset management customers have been supported by MWB Baden GmbH since January 1, 2004.

Efforts to sell the remaining company together with its licenses commenced in the third quarter of 2003. At the current time there is one serious potential buyer, who has already issued a letter of intent within the meaning of section 2b IV of the Kreditwesengesetz (KWG – German Banking Act). MWB Wertpapierhandelshaus AG, as the 100% parent company, has also declared its intention to sell within the meaning of section 2b (1) of the KWG.

If the sales negotiations do not lead to the transaction being successfully concluded, MWB Wertpapierhandelshaus AG intends to merge the subsidiary with the parent company after the license has been returned.



*Trading and Commission Result in
Millions of € MWB Group*

2. Earnings

Commission income and trading profits

Above all the business growth in the second half of 2003 played a key role in the year-on-year increase in both commission income and trading profits. Commission income increased from € 889 thousand to € 1,086 thousand. This was primarily due to three factors: the rapid acceptance of MAX-ONE, the excellent earnings in the Order Execution division and the pleasing contribution made by the Offenburg branch.

Trading profits increased slightly from € 2,937 thousand to € 3,008 thousand. Turnover in foreign stocks was again low in Germany in 2003, which restricted the specialist's trading opportunities and thus their opportunities of achieving price differences.

General administrative expenses

As a result of MWB's continuing difficult situation, the number of employees was reduced further in 2003. The exiting managing directors of MWB Wertpapierhandelsbank GmbH were replaced by senior group employees. Despite this, however, personnel costs within the group only fell very slightly from € 2,560 thousand to € 2,539 thousand. The cost-cutting impact of these measures will, however, be seen in 2004.

We were able to cut administrative expenses from € 4,855 thousand to € 4,526 thousand. Within this item, the costs for settling securities transactions fell from € 1,352 thousand to € 1,187 thousand as a result of the lower number of transactions. A critical review of the IT systems used brought with it a reduction in the costs incurred in this regard from € 525 thousand to € 408 thousand. Carefully selecting the measures implemented by our Investor Relations team allowed us to cut costs here from € 444 thousand to € 337 thousand.

In many sectors in Germany, strict cost control is one of the key factors behind the improved earnings in 2003. This also applies to MWB. Our management will continue to consistently implement this cost-conscious policy in the current fiscal year.

Provision for risks

The management of MWB Wertpapierhandelsbank GmbH and the group's management continuously collected information on the economic development and environment of XCOM AG, in which MWB Wertpapierhandelsbank AG now holds a 12.4 % interest. In addition, the quarterly financial statements of XCOM AG and the provisional unaudited annual financial statements as of December 31, 2003 are available. In contrast to the two previous years, management does not believe that the

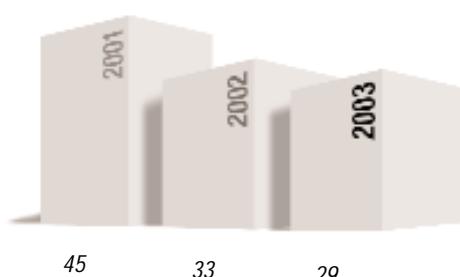
interest in XCOM AG needs to be written down.

Profits from ordinary activities

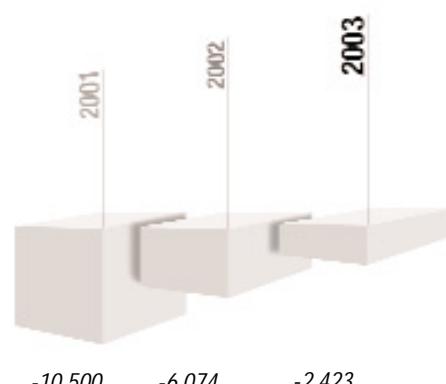
If we compare the profits from ordinary activities for 2003 with those from the previous year, we can clearly see that the situation has improved. The key factors for this were the successful cost cuts and the significantly improved commission income as well as the fact that no write-down was needed for the investment in XCOM AG. As a result, the loss from ordinary activities fell from € -6,074 thousand in 2002 to € -2,423 thousand in 2003.

Income taxes

MWB Wertpapierhandelsbank AG's management has prepared a five-year forecast. In this forecast, management assumes that the stock markets will continue to improve over the coming years. As a result, given consistent expansion of the business, the company's earnings situation must therefore also improve from year to year. The group management thus does not see any reason to write down the deferred tax assets, which almost exclusively stem from losses carried forwards from fiscal year 2001 totaling € 1,266 thousand. In spite of this, management is fully aware that the company's further development is strongly linked to the stock market developments.



Changes in the number of employees



Profit from ordinary activities in Millions of €

Net loss for the year

Taking into account income taxes totaling € 92 thousand, the net loss for the year is significantly down year-on-year, falling from € -7,155 thousand to € -2,331 thousand.

Based on the adjusted net loss for 2003, the DVFA earnings per share totaled € -0.20, compared to € -1.01 in the previous year.

Unappropriated loss

After additions to retained earnings totaling € 133 thousand and taking into consideration a loss carried forward from 2002 totaling € 16,212 thousand, the unappropriated loss totaled € -18,673 thousand.

3. Financial position

Total assets

Total assets fell in fiscal year 2003 from € 22,030 thousand in the previous year to € 19,778 thousand. This drop was mainly due to the increase of the unappropriated loss.

Liquidity

The group management defines liquid funds exclusively as the balance of receivables and liabilities to banks. In line with this, liquid funds fell by € 1,492 thousand in fiscal year 2003 to € 13,341 thousand as of December

31, 2003. The group management believes that the MWB group's liquidity is still very comfortable. The past three years in particular have shown that sufficient liquidity is one of the key competitive factors in the process of selection within this sector – a process which became increasingly intense during this period.

Equity

Equity fell to € 17,521 thousand during fiscal year 2003 compared to € 19,736 thousand in the previous year. The equity ratio on December 31, 2003 totaled 89 %, compared to 90 % in the previous year.

Interest in XCOM AG

MWB Wertpapierhandelsbank GmbH held an 11.2 % interest in the financial software company XCOM AG until September 30, 2003. This company was formed in 1988 and has its registered office in Langen, and is regarded as being one of the leading suppliers for e-business, e-banking and trading support. During the course of 2003, XCOM AG took over the full-service banking activities of ETrade Bank AG, Deutschland, and renamed this wholly-owned subsidiary as XCOM Bank. The management of MWB Wertpapierhandelshaus GmbH and the group's management have continuously and critically monitored the performance of XCOM AG and its industry

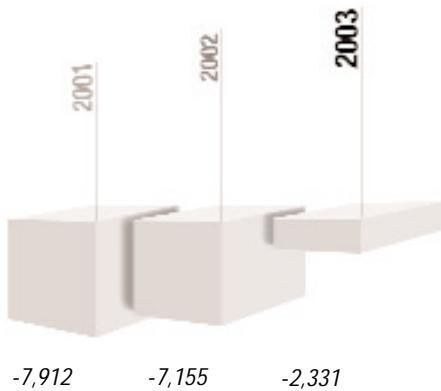
environment. The contact with XCOM AG's management was open and trustworthy.

As of September 30, 2003, the interest in XCOM AG was sold to the group's parent, MWB Wertpapierhandelshaus AG, at a book value of € 2,435 thousand.

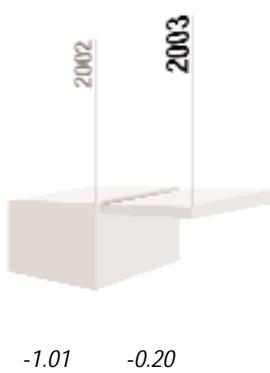
During the fourth quarter of 2003, XCOM AG withdrew its position in treasury shares without a change of its share capital in line with a resolution by the General Meeting. MWB Wertpapierhandelshaus AG's interest in XCOM AG increased to 12.4 % as a result.

Interest in MWB Baden GmbH

MWB Wertpapierhandelsbank GmbH concluded a cooperation agreement on March 18, 2002, with a limited term to December 31, 2003 with the two managers of the Offenburg branch. This agreement includes incorporating the branch's activities into MWB Baden GmbH. The two branch managers each held 50 % of the capital of this shelf company – previously called Petersberg 5. VV GmbH – totaling € 25,000. In return, MWB Wertpapierhandelsbank GmbH was granted an option in the cooperation agreement to acquire a 60 % interest in MWB Baden GmbH via a capital increase. This option was exercised by way of the declaration dated July 18, 2003. The 60 % interest in MWB Baden GmbH was realized by



Net profit/loss in Millions of €



DVFA-Result per share in €

payment of € 37,500 with a value date of August 4, 2003. In addition, according to the cooperation agreement, MWB Wertpapierhandelshaus GmbH made a contribution to MWB Baden GmbH's capital reserve totaling € 137,500 dated August 5, 2003. The capital increase by € 37,500 to € 62,500 was entered in the Offenburg commercial register on December 23, 2003.

As of January 1, 2004, 154 customers with a total volume of € 13.5 million assets managed were transferred from MWB Wertpapierhandelsbank GmbH to MWB Baden GmbH.

If MWB Wertpapierhandelsbank GmbH should be sold, the 60 % interest in MWB Baden GmbH will be transferred to MWB Wertpapierhandelshaus AG. If MWB Wertpapierhandelsbank GmbH is not sold and if it is merged with the parent company, the interest in MWB Baden GmbH will automatically be transferred to MWB Wertpapierhandelshaus AG.

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 past three difficult years have made two things quite clear in the securities trading sector. Only companies with sufficient liquidity and capital can survive this type of major crisis. And secondly, focusing activities on core business makes it significantly easier to move back into the profit zone. As a result, the group management will take reasonable measures in 2004 to bolster and further expand MWB Wertpapierhandelshaus AG's core divisions – trading and specialist business in foreign stocks, order execution for banks as well as institutional sales.

Competition between the stock market models – computer-assisted specialist

systems versus computer trading systems – may become more intense next year at least, when the transitional period for specialists expires on July 1, 2005 in line with the guidelines of the *Viertes Finanzmarktförderungsgesetz* (Fourth Financial Market Promotion Act). MWB Wertpapierhandelshaus AG's management is convinced that the realization that a specialist system is the better suited model at least for less liquid equities, which include not only foreign stocks but also the majority of German small and mid caps, will also play a role in the considerations by the management of Frankfurt Stock Exchange, Germany's leading stock exchange. A pure computer trading model for all shares with all of its known disadvantages could cause serious damage to the German equities culture. MWB Wertpapierhandelshaus AG believes that its role as a specialist for MAX-ONE and at the Frankfurt and Berlin stock exchanges means that it is excellently positioned, and it aims to further expand this position.

In addition, the trend among smaller and mid-sized banks to outsource securities business is forecast to continue, thus offering MWB Wertpapierhandelshaus AG's Order Execution division additional earnings opportunities.

In the Institutional Sales division, whose performance has not yet been satisfactory for MWB Wertpapierhandelshaus AG, increasing the HR base by at least two experienced sales employees is designed to generate a significant increase in income.

We will continue to track developments in the Private Asset Management division of MWB Baden GmbH with a critical eye. Despite pleasing performance in 2003, the goal has to be a significant increase in the assets under management – in addition to covering costs.

There were no major events after the balance sheet date of December 31, 2003.

5. Risk report

Risk strategy

Entrepreneurship means recognizing and exploiting opportunities for shareholders, employees and the company. The associated risks have to be recognized and manageable. Dealing responsibly with risk is part of sound corporate governance and is standardized in the provisions of the German Public Limited Companies and Banking Act.

To implement these requirements in practice, the Managing Board has set up a comprehensive risk management system to unearth risks and to optimize risk items as part of its value-oriented group management. This overall risk system primarily has the top level target of safeguarding the assets entrusted to the company. The company has also defined other key goals: preventing damage for customers and the company and increasing transparency in the company.

Internal Audit

In order to establish efficient internal auditing given the company's relatively small size, the Managing Board decided to outsource its internal auditing to a firm of auditors as early as 2000.

The audits primarily focus on the fields of agent business, proprietary trading, liquidity control, accounting, data processing, human resources, reporting, compliance, money laundering, minimum requirements for the conduct of trading activities, risk management and earnings control.

Operating processes which are subject to particular risk are audited annually, other operating processes are audited every three years.

Risk control

The company's risk control is set up such that particular attention is paid to

avoiding risks. The continued existence of developments which could endanger the company are recognized in good time by an early warning system, so that suitable countermeasures can be taken.

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 Managing 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.

The heart of the risk management system is the daily assessment of the company's total trading risk. During this process, the total calculated risk, comprising market price risk, counterparty risk and option risk, is contrasted with the maximum loss threshold set by the Managing Board. The resulting risk level is monitored by the risk manager and the Managing Board receives daily information.

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

Using XCOM AG, the company calculates risk assets, net equity positions and counterparty default items, liable equity and allocable equity on a daily basis, together with the resulting Principle I equity ratio and the Principle I overall ratio. Any amounts in excess of the major credit limits are also monitored several times daily, as are the total and

individual items from own-account transactions and the associated unrealized profits and losses. In addition, monthly in-depth evaluations of market risk items and foreign currency risk are prepared in line with Principle I. Finally, the liquidity status is prepared daily by adding the available funds and the monthly calculation of the liquidity ratio from Principle II.

As part of the management-related monitoring, the Managing Board also 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. 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 asked to communicate any recognizable risks to the risk manager.

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

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

General risks

The company is aware of the danger that electronic equities trading will become dominant at the expense of the specialist system. However, we are confident that specialists cannot be completely forced off the markets by electronic trading systems. The company believes that the future is much rather to be found in a combination of electronic processing and specialists who set the prices. The best evidence of this is the MAX-ONE trading system which was launched highly successfully on the Munich Stock Exchange last year – MWB Wertpapierhandelshaus AG played a key role in designing and setting up this system. MAX-ONE guarantees that orders are always processed at the best price and in full, causing turnover on the Munich Stock Exchange to increase several times over in a very short period.

In order to create a new field of activities in addition to these traditional activities, the company is carefully reviewing engagements in new products or markets.

Counterparty default risks

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

MWB Wertpapierhandelshaus AG has German and foreign trading partners. Counterparty default risk only plays a minor role for stock market transactions with German trading partners

who are registered with the stock exchange. For foreign trading partners, counterparty limits are set per trading day depending on their size and market valuation as well as the frequency of their transactions. Information on foreign counterparties' economic performance is obtained regularly.

Market price risks

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

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 position limits. These open position limits result from the guarantee deposited with the respective stock exchange. In addition, the open position limits are limited by the requirements of the Kreditwesengesetz (German Banking Act) and the work instructions for securities traders.

In addition, both the member of the Managing Board responsible for trading and a member of the Managing Board who is independent of trading operations are informed at least twice per day on the largest own-account stocks 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. As a rule, the trading department is instructed to settle these positions immediately. A similar method is applied for securities held in the own-account portfolio.

For options, the current total profits or

losses for the individual options are calculated several times a day, as well as the price at which the option would have to be repurchased at the latest assuming a 5 % loss. In addition, scenarios are also calculated in which various upwards and downwards price developments can be assumed. The Managing Board is informed of the current figures several times a day by the risk manager.

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 12/31/03, 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 sectorspecific risks, the company has concluded an insurance policy for damage to trust and a liability insurance policy for pecuniary loss in addition to its exist-

ing Directors and Officers Liability policy. MWB Wertpapierhandelsbank GmbH is also covered by these policies.

In MWB Wertpapierhandelsbank GmbH's Asset Management and Investment Consulting divisions, customer information is obtained in line with section 31 of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act), and customers are provided with indepth 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 assume the responsibilities of their colleagues during vacation, periods of illness or in the event of an employee leaving the company. The company has an organizational manual, which includes information on the work

to be performed by the individual positions, and detailed descriptions of the key business processes as well as the compliance concept.

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

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 at the shortest possible notice in the event of a defect – even at night and on weekends. The system administrator has also been issued with an alarm device, which automatically reports serious problems in the computer center (flooding, heat, smoke).

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

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

performance.

Risks from the discontinuation of MWB Wertpapierhandelsbank GmbH as of December 31, 2003 were countered by planning the modalities of the discontinuation in good time. Customers were informed in plenty of time about the pending closure, and they received an offer to have their asset management contracts continued or the powers of attorney for their transactions transferred to the future MWB Baden GmbH. Customers who were not interested in the transfer had their contracts terminated by the company as of December 31, 2003.

All contracts which result in a payment commitment by MWB Wertpapierhandelsbank GmbH have been terminated. The company parted company with the respective employees as of December 31, 2003. A provision has been formed for a labor court suit filed by one former employee.

Since January 1, 2004 the further closure of the bank has been implemented by experienced employees of MWB Wertpapierhandelshaus AG, located in the same offices.

Graefelfing, March 2004
The Managing Board

Consolidated Balance Sheet in accordance with International Financial Reporting Standards

as of December 31, 2003

Assets

	Notes	2003 TEUR	2002 TEUR	Change in TEUR	Change in %
Cash reserve	(5); (24)	0	1	-1	-100.0
Receivables from banks	(5); (6); (25)	13,467	15,008	-1,541	-10.3
Assets held for dealing purposes	(7); (26)	892	560	332	59.3
Financial assets	(8); (27)	2,436	2,607	-171	-6.6
Property, plant and equipment	(9); (28)	590	804	-214	-26.6
Income tax assets	(13)	1,273	1,266	7	0.6
Other assets	(29)	1,120	1,784	-664	-37.2
Total assets		19,778	22,030	-2,252	-10.2

Liabilities and equity

	Notes	2003 TEUR	2002 TEUR	Change in TEUR	Change in %
Liabilities to banks	(5); (10); (30)	127	176	-49	-27.8
Liabilities from dealing activities	(11); (31)	14	41	-27	-65.9
Provisions	(12); (32)	736	677	59	8.7
Deferred taxes	(13)	155	169	-14	-8.3
Other liabilities	(14)	1,150	1,231	-81	-6.6
Minority interest		74	0	74	100.0
Equity	(34)	17,522	19,736	-2,214	-11.2
Subscribed capital		4,983	4,983	0	0
Capital reserves		24,825	24,825	0	0
Retained earnings		8,751	8,618	133	1.5
Revaluation surplus		0	-53	53	100.0
Depreciation of own shares	(35)	-2,364	-2,425	61	2.5
Consolidated loss		18,673	16,212	2,461	15.2
Total liabilities and equity		19,778	22,030	-2,252	-10.2

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

for the Period from January 1 to December 31, 2003

	Notes	2003 TEUR	2002 TEUR	Change in TEUR	Change in %
Interest income	(15)	406	568	-162	-28.5
Interest expenses	(15)	-5	-4	-1	-25.0
Net interest income	(15)	401	564	-163	-28.9
Commission income	(16)	1,374	1,020	354	34.7
Commission expenses	(16)	-288	-131	-157	-119.8
Net commission income	(16)	1,086	889	197	22.2
Trading income	(17)	5,940	11,509	-5,569	-48.4
Trading expenses	(17)	-2,932	-8,572	5,640	65.8
Trading profit	(17)	3,008	2,937	71	2.4
Net income from financial assets	(8); (27)	18	-3,503	3,521	100.5
Administrative expenses	(19)	-7,065	-7,415	350	4.7
Balance of other income/expenses	(21)	129	454	-325	-71.6
Profit from ordinary activities		-2,423	-6,074	3,651	60.1
Income taxes on profit from ordinary activities	(13); (21)	92	-1,081	1,173	108.5
Net loss	(22)	2,331	7,155	4,824	67.4
Minority interest of net loss		6	0	6	100.0
Net loss without minority interest		2,325	7,155	4,830	67.5
Loss carried forward from previous year		16,212	10,679	5,533	51.8
Loss carried forward from MWB Baden GmbH		3	0	3	100.0
Transfer to/withdrawl from retained earnings		133	-1,622	1,755	108.2
Consolidated loss		18,673	16,212	2,461	15.2

Statement of Changes in Equity

for the Period from January 1 to December 31, 2003

	Notes (34); (35)	2003 TEUR	2002 TEUR
Equity as of January 1		19,736	26,832
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		8,618	10,239
Transfer to/withdrawal from retained earnings		133	-1,621
As of December 31		8,751	8,618
Revaluation surplus			
As of January 1		-53	9
Change		53	-62
As of December 31		0	-53
Own shares			
As of January 1		-2,425	-2,545
Change		61	120
As of December 31		-2,364	-2,425
Consolidated loss			
As of January 1		16,212	10,679
Loss carried forward from MWB Baden GmbH		3	0
Net loss		2,325	7,155
Transfer to/withdrawal from retained earnings		133	-1,622
As of December 31		18,673	16,212
Equity as of December 31		17,522	19,736

Consolidated Cash Flow

for the period from January 1 to December 31, 2003

	2003 TEUR	2002 TEUR
Consolidated loss	-2,325	-7,155
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	427	3,965
Change in long-term provisions	59	-212
Loss from the disposal of financial assets	35	0
Minority interest	-6	0
Other adjustments (balance)	-874	-1,308
	-2,684	-4,710
Changes in assets and liabilities from operating activities		
Change in receivables from customers	-16	-9
Change in trading position	-359	72
Change in other assets from operating activities	671	3,286
Change in other liabilities from operating activities	-21	31
Interest received and dividends	297	472
Interest paid	-5	-4
Received income tax	0	25
Cash flow from operating activities	-2,117	-837
Proceeds from disposal of financial assets	223	0
Investments in property, plant and equipment	-194	-104
Investments in financial assets	0	0
Change in cash flow from other investing activities	53	69
Cash flow from investing activities	82	-35
Net-change in purchases and sales of own shares	542	885
Dividends paid	0	0
Cash flow from financing activities	542	885
Change in cash and cash equivalents	-1,493	13
Cash and cash equivalents at beginning of the period	14,833	14,820
Cash flow from operating activities	-2,117	-837
Cash flow from investing activities	82	-35
Cash flow from financing activities	542	885
Cash and cash equivalents at the end of the period	13,340	14,833

Notes to the consolidated financial statement

Exempting consolidated financial statements (IFRS)

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

The consolidated financial statements of the MWB Group as of December 31, 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 IFRS.

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 IASs and SICs were taken into account during the reconciliation of the consolidated financial statements to International Accounting 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 2002)	Employee benefits	1/1/99	
IAS 22 (revised 1998)	Business combinations	1/1/98	SIC-9 SIC-22
IAS 24 (reformatted 1994)	Related Party Disclosures	1/1/86	
IAS 26 (reformatted 1994)	Accounting and Reporting by Retirement Benefit Plans	1/1/88	
IAS 27 (revised 2000)	Consolidated Financial Statements and Accounting for Investments in Subsidiaries	1/1/90	SIC-12
IAS 30 (reformatted 1994)	Disclosures in Financial Statements of Banks and Similar Financial Institutions	1/1/91	
IAS 32 (revised 1998)	Financial instruments: Disclosure and Presentation	1/1/96	SIC-5 SIC-16 SIC-17
IAS 33 (1997)	Earnings per Share	1/1/98	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 Financial Reporting 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 balance sheet prepared according to IFRS. Fair values are calculated on the balan-

ce 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 deferred liabilities

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

In contrast to the HGB, IAS 37 differentiates between provisions and deferred liabilities. In the case of deferred liabilities, the insecurity surrounding the timing or the amount of the outlay that will be required in future is generally significantly lower than for provisions.

Consideration of future developments in calculating pension commitments

In contrast to more static calculation methods according to German law, IAS 19 (revised 2002) prescribes a dynamic valuation of future economic and demographic developments when calculating

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

Recognition of deferred tax assets and liabilities

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

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

Disclosure of own shares

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

Accounting and valuation methods

(1) Uniform group accounting

The single-entity financial statements

of the companies included in consolidation are included in the consolidated financial statements of MWB Wertpapierhandelshaus AG. Uniform accounting and valuation principles are applied.

(2) Group of consolidated companies

The consolidated financial statements as of December 31, 2003 include MWB Wertpapierhandelshaus AG as the parent company and the wholly-owned subsidiary MWB Wertpapierhandelsbank GmbH, Grafeling as well as its 60 % subsidiary MWB Baden GmbH, Offenburg.

The interest in MWB Baden GmbH, Offenburg was included in full consolidation for the first time effective August 5, 2003. The purchase price for the acquisition of the interest totaled € 175 thousand.

(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

The assets held for dealing purposes include trading securities and the changes in market value of open (long) positions. Assets held for dealing purposes are accounted for on the settlement date. All assets held for dealing purposes are carried on the balance sheet at their fair value. Changes to the present value of the assets held for dealing purposes between the trading day and the settlement date are disclosed in the earnings for the period.

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

(8) Financial Assets

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

(9) 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.

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	10 years

(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 liabi-

ties 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 disclo-

sed 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) 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 current five-year fore-

cast, the company believes that the disclosed deferred tax assets from losses carried forwards totaling € 1,250 thousand are of value. The deferred tax assets totaling € 23 thousand result from temporary differences for trading liabilities.

(14) 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 to the profit and loss account

(15) Net interest income

(15) Net interest income	2003	2002
	TEUR	TEUR
Interest income	406	568
Loans and money market transactions	406	568
Interest expenses	-5	-4
Total	401	564

(16) Net commission income

(16) Net commission income	2003 TEUR	2002 TEUR
Commission income	1,374	1,020
thereof: Brokerage income	885	786
Other commission income	489	234
Commission expenses	-288	-131
thereof: Brokerage expenses	-122	-101
Other commission expenses	-166	-30
Total	1,086	889

The brokerage income and expense results from brokerage for investments and contracts. The other commission income was mainly generated by Asset Management (€ 293 thousand, pre-

vious year: € 107 thousand) and from transactions with institutional clients (€ 184 thousand, previous year: € 145 thousand). The commission expenses from transactions with institutional

clients totaled € 93 thousand (previous year: € 72 thousand). The other commission expense includes guarantee commission and third-party expenses.

(17) Trading profit

(17) Trading profit	2003	2002
	TEUR	TEUR
Trading income		
from securities*	5,940	11,509
from price differences in open transactions	171	991
Trading expenses		
from securities	5,769	10,518
from price differences in open transactions	-2,932	-8,572
Total	3,008	2,937

Following the resolution on the interpretation of SIC-16 of the Standing Interpretation Board, 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.

(18) Income from financial assets

	2003 TEUR	2002 TEUR
Profit from financial assets	53	69
Loss from/Write-downs on financial assets	-35	-3,572
Total	18	-3,503

The income from financial investments includes the financial instruments classified as available for sale. Last year this was characterized by the write-

downs on the investment in XCOM AG. Profit from financial investments exclusively includes dividends from XCOM AG. Losses from/write downs on finan-

cial assets includes the loss realized from the sale of available for sale securities.

(19) Administrative Expenses

	2003 TEUR	2002 TEUR
Personnel expenses	-2,539	-2,560
Wages and salaries	-2,207	-2,215
Social security costs	-273	-274
Pension costs	-59	-71
Other administrative expenses	-4,526	-4,855
Thereof depreciation and amortization		
depreciation of operating and office equipment	-316	-363
amortization of goodwill	-2	-16
Total	-7,065	-7,415

During the previous year, € 16 thousand was written down for the last time from goodwill from the initial consolidation of MWB Wertpapierhan-

delsbank GmbH. The amortization of goodwill during the year under review totaling € 2 thousand is due to goodwill for MWB Baden

GmbH, which was consolidated for the first time in August 2003.

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

	2003 TEUR	2002 TEUR
Other income		
Other income from ordinary activities	146	476
Other expenses		
Other expenses from ordinary activities	-17	-22
Total	129	454

Other income/expenses from ordinary activities mainly includes income from the reversal of provisions totaling € 84 thousand (previous year: € 397 thou-

sand) and losses from receivables totaling € 17 thousand (previous year: € 22 thousand).

**(21) Income taxes on the result from
ordinary activities**

	2003 TEUR	2002 TEUR
Actual taxes	0	25
Deferred taxes	92	-1,106
Total	92	-1,081

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 2003 totals 38.65 % (previous year: 38.65%).

During the fiscal year, deferred taxes resulted from changes in deferred tax claims and liabilities resulting from temporary differences totaling € 92

thousand (previous year: € -20 thousand), where as last year the value adjustment for deferred tax assets also included the loss carryforward totaling € 1,086 thousand that could be used for tax purposes.

The following table shows the relationship between the income taxes derived from the pre-tax earnings and the income taxes for fiscal year 2003 disclosed in the profit and loss

account (reconciliation statement). The derived income taxes are based on the domestic tax rate of 38.65%.

	2003 TEUR	2002 TEUR
Derived income taxes from the pre-tax earnings	0	0
Value adjustments to deferred tax assets	92	-1,081
Tax refund	0	25
Non-deductible operating expenses	-30	-16
Amortization of goodwill	-2	-6
Other	32	-3
Disclosed income taxes	92	-1,081

(22) Net loss

The net loss totaling € 2,331 thousand will be corrected for minority interests in the net loss (€ 6 thousand). After taking into account the loss carried forward

from the previous year (€16,212¹ thousand), the addition to retained earnings (€ 133¹ thousand) and the loss carried forwards from MWB Baden GmbH

(€ 3 thousand), this results in a consolidated net loss totaling € 18,673 thousand.

¹ The comparative figures from the previous year have been adjusted to ease comparison

(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.

The following table shows the key indicators and the calculation components on which they are based:

	2003	2002
Net profit for the year in EUR thousand	-2,325	-7,155
Average number of shares in circulation	4,819,079	4,786,269
Number of shares including increases that resulted or could result from subscription rights granted	0	180,000
Diluted earnings per share (with amortization of goodwill)	-0.48	-1.49
Basic earnings per share (with amortization of goodwill)	-0.48	-1.49

Notes to the balance sheet

(24) Cash reserve

	2003	2002
	TEUR	TEUR
Cash reserve	0	1
Total	0	1

(25) Receivables from banks

	2003	2002
	TEUR	TEUR
German banks		
Demand receivables from banks	9,454	13,705
Other receivables from banks	4,013	1,303
Receivables from banks	13,467	15,008

(26) Assets held for dealing purposes

	2003	2002
	TEUR	TEUR
Equities and other variable income securities		
Equities	400	411
Other	492	149
Thereof: marketable securities	409	411
thereof: listed securities	400	401
Total	892	560

The redemption prices for listed securities were taken from the Bundesverband Deutscher Banken for valua-

tion purposes. One non-listed security was valued at the price provided by the investment company on the last day

of trading.

(27) Financial Assets	2003 TEUR	2002 TEUR
Equities and other variable income securities		
Equities	2,436	2,436
Investment units	0	171
Thereof: marketable securities	2,436	2,436
thereof: listed securities	0	0
Total	2,436	2,607

The following table shows the growth of the financial assets:

	TEUR	TEUR
Acquisition / historical cost		
Balance at January 01, 2003		10,742
Disposals		-258
Balance at December 31, 2003		10,484
Revaluation surplus	After taxes	Before taxes
Balance at January 01, 2003	-53	-87
Change	53	87
Balance at December 31, 2003	0	0
Amortization / depreciation		
Balance at January 01, 2003		-8,048
Balance at December 31, 2003		-8,048
Book values		
Balance at January 01, 2003		2,607
Balance at December 31, 2003		2,436

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.

reversed with the disposal of financial assets with a book value totaling € 171 thousand.

(28) Property, plant and equipment

	Operating and office equipment TEUR
Acquisition / historical cost	
Balance at January 01, 2003	1,810
Additions	194
Disposals	-230
Balance at December 31, 2003	1,774
Amortization / depreciation	
Balance at January 01, 2003	-1,006
Current amortization/depreciation	-316
Disposals	138
Balance at December 31, 2003	-1,184
Book values	
Balance at December 31, 2002	804
Balance at December 31, 2003	590

No non-scheduled amortization or depreciation was necessary in fiscal year 2003.

Property, plant and equipment includes intangible assets. The amortization of intangible assets is disclosed

together with the depreciation of property, plant and equipment under other administrative expenses.

As part of the cessation of designated sponsoring activities for foreign stocks, the company recorded the disposal

of property, plant and equipment with a book value totaling € 91 thousand as of December 31, 2003.

(29) Other Assets

	2003	2002
	TEUR	TEUR
Other assets		
Tax overpayments	63	848
Claims from reinsurance	839	729
Receivables from commission income in IPO business	19	18
Other assets	199	189
Total	1,120	1,784

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 € 22 thousand due to impairment. The other assets include prepaid expenses, deposits and receivables resulting

from oncharging as well as goodwill from the initial consolidation of MWB Baden GmbH totaling € 54 thousand.

	2003	2002
	TEUR	TEUR
Deferred tax assets	1,273	1,266

(30) Liabilities to banks

	2003	2002
	TEUR	TEUR
Deferred tax assets	1,273	1,266
Liabilities to banks	127	176

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 € 14 thousand (previous

year: € 41 thousand).

(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 2002). The actuarial valuation of commitments are based on the figures from the guideline tables for invalidity and mortality in line with the "Pension table 1998" from Prof. Klaus Heubeck and an interest rate of 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 in previous year.

The company recognized the adjustment to the net cash value of the liability in income in the provision for pensions.

The MWB Group disclosed the pension provision deficit totaling € 8 thousand resulting from the reconciliation to IAS

accounting, measurement and consolidation methods under equity under profit reserves in the year of initial application.

This results in the following financing status:

	12/31/2003 TEUR	12/31/2002 TEUR
Reconciliation of the net cash value of the commitment to the pension provision:		
Net cash value of the commitment	1,179	1,008
Non-recorded underwriting profits/losses	-443	-331
Provision for pensions	736	677
Change in the provision for pensions		
Provision for pensions January 1	677	889
Ongoing service cost	37	53
Interest	60	76
Amortization of non-disclosed profits/losses	14	14
Curtailment	0	-303
Benefits	-52	-52
Provision for pensions December 31	736	677
Change in the provision for repurchase values:		
Repurchase value January 1	729	633
Increase	59	96
Repurchase value December 31	788	729

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

(33) Other liabilities

	2003 TEUR	2002 TEUR
Accruals	815	911
Other liabilities	335	320
Total	1,150	1,231

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:

	2003	2002
	TEUR	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	2,491	2,094

As of December 31, 2003, the subscribed capital totaling € 4,983 thousand 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 IAS consolidated financial statements. The trading loss from own shares totaling € 445 thousand 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 Juli 7, 2003 in the amount of € 2,491,000.00.

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 132,523 own shares with a theoretical par value of € 133 thousand (2.66 % of the share capital). In total, 57,947 own shares were bought and 86,582 own shares were sold during the year. The average acquisition price totaled € 1.81, the average selling price totaled € 2.39. 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 25, 2003 to acquire own shares before December 24, 2004 in order to be able to offer shares of the company to third parties during business combinations with other companies or as part of the acquisition of companies or interests in other companies, or to

recall shares, or to use these for securities trading.

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

To date the company has only used its authorization to acquire own shares for the purpose of securities trading. The limit on the number of shares as set by the General Meeting has been upheld.

Reporting for financial instruments

(36) Fair value of financial instruments

There were no deviations between the book value and fair value for the receivables from banks, other receivables 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, tra-

ding assets and trading liabilities on December 31, 2003.

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 IAS 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 DRS 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:

	2003 TEUR	2002 TEUR
Cash reserve	0	1
Receivables from banks	13,467	15,008
Liabilities to banks	-127	-176
Cash and cash equivalents - end of period	13,340	14,833

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	Asset- Management IPOS*	Consolidation	Group
	TEUR	TEUR	TEUR	TEUR
Net interest income	354	47		401
Net commission income	841	245		1,086
Trading profit	3,008	0		3,008
Result of financial assets	-585	54	-549	18
Personnel expenses	2,066	473		2,539
Scheduled depreciation of property, plant and equipment	290	26		316
Other administrative expenses	3,966	242	2	4,210
Balance of other operating income/expenses	46	83		129
Net income for the year by segments	-2,658	-312	-545	-2,425
Assets	19,587	4,587	-4,396	19,778
Liabilities	2,053	158	29	2,182
Risk items	12,234	1,102	-4,246	9,090
Allocated capital	17,534	4,428	-4,440	17,522
Expense/income ratio	172.54	172.73		152.19

* The IPO division was discontinued on December 31, 2003. BaFin was informed of this in a letter dated January 7, 2004.

The consolidation booking totaling € 545 thousand includes the amortization of the interest in MWB Wertpapierhandelsbank GmbH.

Other notes

	(39) Classification of residual terms		
	up to 1 month 12/31/2003	up to 1 month 12/31/2002	up to 3 months 12/31/2003
	TEUR	TEUR	TEUR
Receivables			
Receivables from customers	19	18	19
Limited-term receivables from banks	13,467	15,008	13,467
Liabilities			
Limited-term liabilities to banks	127	176	127

(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, 2003.

The annual payment commitments

from rental contracts and other service contracts had the amounts and maturities shown in the following table:

	12/31/2003 TEUR	12/31/2002 TEUR
Rental agreement		
Due 2003		99
Due 2004	87	40
Due 2005	40	0
	TUSD	TUSD
Securities information services		
Due 2003		20
Due 2004	8	8

(41) Assets assigned as collateral

Some of the receivables from banks are a deposit investment as collateral for default guarantees totaling € 3,250 thousand, which were issued to all stock exchanges on which MWB Wertpapierhandelshaus AG acts as a specialist. If the MWB Group provides other collateral for processing totaling € 500 thousand, 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.

	2003	2002
Graefelfing	19	17
Munich	0	3
Berlin	2	6
Frankfurt	4	6
Offenburg	2	0
	27	32

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

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

The three members of the Managing

Board each received an equal share of remuneration totaling € 484 thousand in fiscal year 2003. No bonuses were paid.

In addition to this remuneration for the members of the Managing Board, one former member of the Managing Board was paid a total of € 52 thousand in 2003, thereof € 31 thousand were covered by insurance refunds. The company made provisions totaling € 59 thousand for pensions and similar commitments in 2003.

Until June 30, 2003 remuneration for the Supervisory Board was regulated by the Articles of Incorporation and was determined by the General Meeting.

Until this date the following applied for remuneration: the members of the Supervisory Board received fixed remuneratin totaling € 18 thousand for each full fiscal year of their membership of the Supervisory Board, the Chairman received € 31 thousand and the Deputy Chairman received € 23 thousand. Members of the Supervisory Board who did not belong to the Supervisory Board for a full year received proportionate remuneration in line with their membership.

In the General Meeting on June 25, 2003, a change was resolved to the Articles of Incorporation regarding remuneration for the Supervisory Board

from July 1, 2003. According to this new regulation, each member of the Supervisory Board receives fixed remuneration totaling € 10 for each full year of their membership of the Supervisory Board in addition to reimbursement of their expenses. The remuneration is payable after the end of the fiscal year. In addition, from July 1, 2003, each member of the Supervisory Board receives variable remuneration totaling 0.3 % of the positive consolidated result from ordinary activities for each full

fiscal year of their membership of the Supervisory Board. The company grants the members of the Supervisory Board reasonable insurance protection, in particular the company undertakes to conclude directors and officers insurance on behalf of the members of the Supervisory Board, which covers the statutory liability inherent in activities as a Supervisory Board member to a reasonable extent.

The Chairman of the Supervisory Board receives twice the amount of the fixed

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

The Supervisory Board's remuneration totaling € 56 thousand (incl. USt.) was broken down as follows for fiscal year 2003:

Members of the Supervisory Board

	Fixed remuneration in TEUR
Dr. Ottheinz Jung-Senssfelder	22
Thomas Mayrhofer	22
Michael Wilhelm	12

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

review. € 10 thousand were also paid for consultancy services to the partnership Mayrhofer & Partner, Munich,

who's partner Mr. Mayrhofer is.

(44) Members of the Management and Supervisory Boards

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

- Thomas Mühlbauer, Gräfelfing, Stock Broker
- Christine Niederreuther-Rohrhirsch, Munich, Stock Broker
- 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:

- Dr. Ottheinz Jung-Senssfelder, lawyer, from March 18, 2003. Chairman since April 15, 2003
- Thomas Mayrhofer, lawyer. Deputy Chairman since December 18, 2002
- Michael Wilhelm, auditor/tax adviser, since March 18, 2003.

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

company in 2003:

- IC Immobilien Holding AG, Munich
- In addition to his position on MWB Wertpapierhandelshaus AG's Supervisory Board, Mr. Mayrhofer held offices on the Supervisory Boards of the following companies in 2003:
 - Best AG, Töging am Inn (Deputy Chairman),
 - BrainLAB AG, Kirchheim-Heimstetten (Deputy Chairman),
 - Primus AG, Munich (Chairman),
 - PTV Planung Transport Verkehr AG, Karlsruhe

(45) Shareholdings in MWB AG held by members of the Managing and Supervisory Boards

As of December 31, 2003, the members of the company's Managing Board

held the following direct interests in MWB Wertpapierhandelshaus AG:

Members of the Managing Board

	Interest in share capital %
Christine Niederreuther-Rohrhirsch	9.61
Thomas Posovatz	9.53
Thomas Mühlbauer	9.51

The three members of the Managing Board each also hold a 7.96% interest in MWB Wertpapierhandelshaus AG via FMNP GmbH.

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

Graefelfing, March 17, 2004

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, 2003. 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 position, results of operations and cash flows of the group, for the business year in accordance with International Financial Reporting Standards.

Our audit, which also extends to the group management report prepared by the Company's management for the business year from January 1 to December 31, 2003, 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, 2003, satisfy the conditions required for the Company's exemption from its duty to prepare consolidated financial statements and the group management report in accordance with German law.

Munich, March 31, 2004

KPMG
Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Schobel
Wirtschaftsprüfer

Pastor
Wirtschaftsprüfer
(Independent Auditors)

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

The Company

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

Admitted for trading on the following exchanges

- Munich Stock Exchange
- Berlin-Bremen Stock Exchange
- Frankfurt Stock Exchange
- Rhineland-Westphalia Stock Exchange in Duesseldorf
- Baden-Wuerttemberg Stock Exchange

Member of the Bundesverband der Wertpapierfirmen
an den deutschen Börsen e.V.

(Federal Association of Securities Firms at German Stock Exchanges)

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