ANNUAL REPORT

2005

DEWB

CAPITAL & BETTER.

ANNUAL REPORT

2005

Contents

FACTS AND FIGURES

	2005 IFRS TEUR/No.	2004 IFRS TEUR/No.	2003 HGB TEUR/No.	2002 HGB TEUR/No.
Sales from investment business	38,018	13,922	30,487	27,819
EBITDA	13,393	–2,987	5,263	174
EBIT	1,949	–13,187	36	–19,318
Earnings after taxes	1,126	–13,218	–1,574	–22,211
Earnings per share (in Euros)	0.07	–0.92	–0.12	–1.96
Shareholders' equity per share (in Euros)	2.63	2.61	2.83	2.39
Share price as of 31.12. (in Euros)	3.90	2.38	3.10	5.00
No. of shares as of 31.12.	15,230,000	15,230,000	13,227,818	11,338,128
Invested capital as of 31.12.	52,439	82,232	81,265	90,434
New investments	7,247	15,747	19,179	24,258
No. of portfolio companies	15	21	33	40

Dear Shareholders,

Following three years of heavy losses DEWB began 2005 with the objective of returning to profitability, reducing fixed costs and increasing the value of the portfolio. We have succeeded in achieving these demanding targets:

- Sales in excess of 37 million Euros were generated from the sale of investments, with gross earnings of more than 13 million Euros. DEWB posted earnings after tax of 1.1 million Euros, corresponding to 7 cents per share.

- Structural adjustments were initiated at the start of the year. These were often very painful, particularly for the personnel, but had become necessary in view of the results of the previous business years. The cost of these measures, at 4.1 million Euros, impacted on the net result. As a result of these measures the structural costs were reduced from 4.3 million Euros for 2004 to 2.2 million Euros for 2005. DEWB clearly streamlined its business model and focused on the investment company's core areas of expertise. In this respect it was important to create a strong team with the know-how required for our core business and experience of working in the company. We succeeded in this. Services previously offered, such as the organisation of annual general meetings, investor relations or marketing advice can be procured elsewhere through specialists so no longer have to be housed within DEWB. From 2006 we expect administrative costs to reduce further to below 2 million Euros.

- We succeeded in increasing the value of the portfolio and can be very satisfied with the performance of most of the portfolio companies in the 2005 business year. Unfortunately, as a result of the negative business development on the part of one biotechnology investment, which was reflected in a reduction in its valuation, we suffered a setback which meant that the development of the overall portfolio's value fell short of our expectations.

With an operating cash flow of 28.4 million Euros we were able to markedly reduce the level of debt at DEWB. Net financial liabilities fell from more than 47 million Euros to 9.3 million Euros, with the shareholders' equity quota increasing from 42 to 60 percent. This enabled DEWB to take a major step forward to achieving the type of capital structure standard for the sector. The stable balance sheet, the 10.5 million Euros in liquidity and short term realisable, listed securities of 9.3 million Euros provide a solid foundation for the company's future growth.

We will continue to develop the value potential of our investment portfolio and also endeavour to realise profitable exits in 2006. The focus of our investments will be placed clearly on new VC investments in the growth markets of optics, optic-related technologies and sensor systems with the aim of generating higher than average returns for our shareholders. With this expertise and experience, our motivated team provides the optimum conditions for successful investment in this attractive area of technology in which German mid-cap companies are world leaders.

Yours


Bertram Köhler


Falk Nuber


Mirko Wäckerle

Dear Shareholders,

In the past business year the Supervisory Board of Deutsche Effecten- und Wechsel- Beteiligungsgesellschaft AG carefully examined the company's situation as well as its future positioning.

In 2005 the Supervisory Board held six meetings as well as an additional four conferences calls. At these meetings the Executive Board provided the Supervisory Board with detailed information on the progress of business and the company's situation as well as the status of the restructuring. In addition, the Chairman of the Supervisory Board and his deputy were kept regularly informed of the business situation between the meetings. Business decisions that required the approval of the Supervisory Board were examined and discussed in detail with the Executive Board.

In addition to the monitoring of the current business, the focus of the activity was on assisting the Executive Board in the comprehensive restructuring of the company, the aim of which was to reduce costs, strengthen the shareholders' equity quota and increase the organisational efficiency.

In the 2005 business year the personnel structure was comprehensively reorganised. The number of full-time employees, including the members of the Executive Board, was reduced from 27 to 8. DEWB concentrated its activities on its core business, the acquisition and sale of VC investments in technology companies and ceased to provide advisory services. DEWB has therefore now created the type of personnel and cost structure standard for the sector.

The Supervisory Board regularly discussed the Corporate Governance rules and their implementation within the company. The Conformity Declaration for 2005 was agreed at the meeting on the 1st February 2005. The company follows the recommendations of the Corporate Governance Code with just three exceptions which have been set out in the Conformity Declaration in accordance with § 161 of the Companies' Act.

With the exception of the Personnel Committee the Supervisory Board did not establish any committees nor are any planned for the 2006 business year.

The accounting in the year covered by the report as well as the annual financial statements as of 31 December 2005 prepared on 7 March 2006, together with the management report, were audited by the firm of auditors and accountants Hellinger Hahnemann Schulte-Gross GmbH, Stuttgart which awarded the unqualified auditors' certificate on 7 March 2006. A copy of the annual financial statements, the management report and the auditors' report were sent to each member of the Supervisory Board and discussed in detail at the meeting on 7 March 2006. At this meeting the auditor reported on the main results of his audit. The independent verification of the annual financial statements and the management report by the Supervisory Board based on the audit report did not lead to any objections. The annual financial statements of Deutsche Effecten- und Wechsel-Beteiligungsgesellschaft AG as of 31 December 2005, prepared by the Executive Board, were therefore approved by the Supervisory Board and consequently have been confirmed in accordance with § 172 Clause 1 (Companies' Act). The proposal submitted by the Executive Board to the Annual General Meeting not to pay a dividend for the 2005 business year, has been supported by the Supervisory Board.

Particulars of the Executive Board: As part of DEWB's realignment Dr. Dietmar Kubis left the Executive Board of the company as of 1 February 2005 and Mrs. Sabine Ahlers as of 7 June 2005. Mr. Mirko Wäckerle was appointed a new member of the Executive Board as of 28 February 2005, and Messrs. Bertram Köhler and Falk Nuber as of 2 June 2005. All three members of the Executive Board had previously held various positions at DEWB over many years and are very well acquainted with the company. Mr. Wäckerle is responsible for the areas of Finance / Controlling and Investor Relations, with Messrs. Köhler and Nuber holding responsibility for the investment business and the areas of Marketing and Human Resources/Legal. The Supervisory Board did not appoint any spokesperson for the Executive Board.

Particulars of the Supervisory Board: With effect from 25 May 2005 the previous employee representatives on the Supervisory Board, Messrs. Köhler and Nuber, resigned their membership of the Supervisory Board for genuine reasons. On 7 September 2005 Mrs. Christiane Bednarek was newly elected by the employees to the Supervisory Board. Consequently one of the positions to be filled by a representative of the company's employees remains vacant.

The Supervisory Board would like to thank the Executive Board and the employees of the company for their efforts during the course of the business year just past.

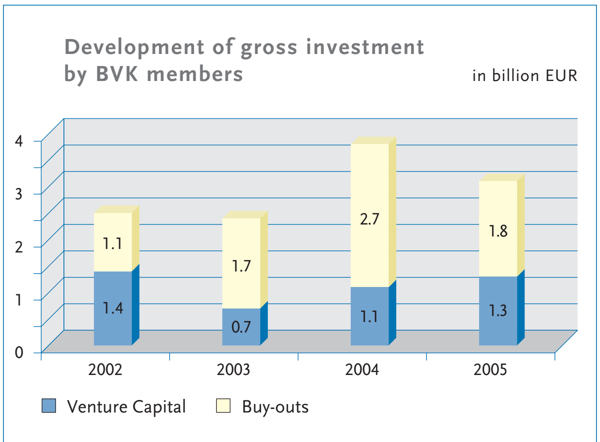
Jena, March 2006
For the Supervisory Board

Alexander von Witzleben
Chairman of the Supervisory Board

Management report for the business year 2005 (IFRS)

General situation of the German VC investment sector

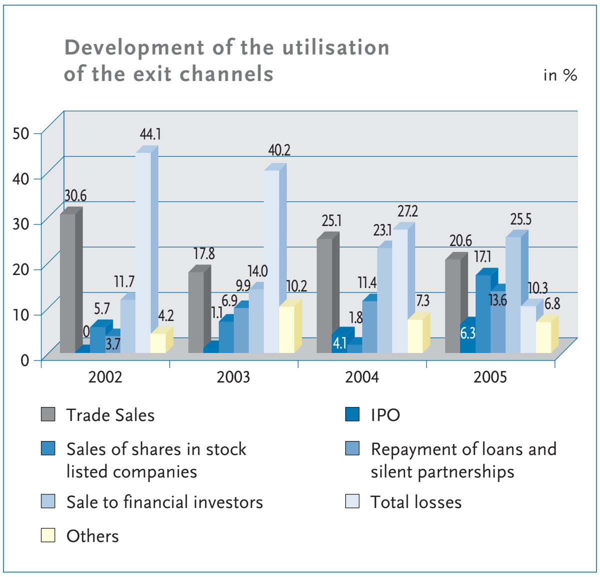
Fall in level of investment in Germany. Investments by members of the Bundesverbandes Deutscher Kapitalbeteiligungsgesellschaften (BVK) [Federal Association of German Capital Investment Companies] in 2005 were down on the level for the previous year. In total they invested 3.0 billion Euros, corresponding to an approx. 20 percent drop compared with the previous year. This fall is essentially attributable to a reduction in the number of major buy-outs. Venture capital investments, which cover seed, start-up, expansion, bridge, turnaround and replacement capital financing, actually reported an increase of nearly 18 percent by comparison with the previous year.



Source: BVK (Bundesverband Deutscher Kapitalbeteiligungsgesellschaften)

Preference given to mature companies. The investment companies concentrated their business on more mature companies. In 2005 later phases of financing accounted for the vast majority of venture capital investments, 76 percent in total, whilst start-up financing made up 23 percent and seed financing just 1.0 percent. The number of companies receiving finance shows that this distribution is not only attributable to the increased demand for capital in the later phases of financing. In numerical terms, later stage companies accounted for some 62 percent, with seed companies just 2 percent. The survey by the Venture Capital Panel of FHP Private Equity Con-sultants also shows that the funds of the investment companies were primarily investing in their existing portfolios.

IPOs remain of insignificant importance. Exits realised in 2005 by members of the BVK, in total 1.9 billion Euros, increased by more than 25 percent compared with the previous year (1.5 billion Euros). In this context one of the pleasing trends is the increasing importance of IPOs. However, their share of the total exit volume, at around 6 percent, remains insignificant. The main buyers of shareholdings are strategic and financial investors. Total losses over recent years have continued to fall from a very high level and, at approx. 190 million Euros in the year 2005, now account for a 10 percent share of the total exits.



Source: BVK

Improved environment for capital investment. Rising stock markets and successful exits accompanied by increasing returns achieved by investment companies, have led to a marked improvement in the opportunities for the placement of new investment capital. Whereas in previous years the capital was primarily invested into buy-out funds, in 2005 German Venture Capital funds again reported a successful year. Of the 41 investors surveyed by the Venture Capital Panel of FHP Private Equity Consultants, three quarters have specific plans for fundraising, with a target average fund volume in excess of 100 million Euros. New capital suggests a further upturn in the investment sector and an increase in investments over the coming years.

Optimistic mood in the sector. The overall situation of investment companies improved in 2005. The financial difficulties experienced by the portfolios resulting from the boom years of the new economy have been to a significant extent rectified. Companies have become far more professional in the selection of and support for their investments. Combined with a good mood on the capital markets and a greater willingness on the part of strategic investors to make acquisitions, as catalysts for company sales, this should create a good starting basis for the injection of fresh capital into the German investment market.

Strategy and positioning of DEWB

BUSINESS MODEL.

Investment in technology companies. DEWB's business model is to invest in technology companies. The objective pursued by the company is to sell these investments at a profit after holding them from three to seven years and consequently generating a higher than average return for its shareholders. In this context, DEWB is a so-called 'Evergreen Fund' investor. This means that cash inflows from share sales are available to the company for new investments. In November 2005 DEWB was recognised as an open investment company in accordance with § 16 Clause 1 of the Investment Companies Act.

The DEWB typically acquires a significant minority stake in the shareholders' equity of non-quoted companies through capital increases. In certain situations DEWB also grants loans to companies in which it has an investment. The amount of an investment is normally between two and seven million Euros but can also be higher in individual cases.

Concentration on optical technologies. DEWB's investments are focused on high-tech companies operating in the area of optical and optic-related technologies as well as sensor systems in Germany, Austria and Switzerland. Optical technologies use light (photons) as a "tool", an information or energy carrier. They are one of this decade's most dynamic areas of technology. As a so-called "enabling technology", as in the case of electronics in the previous century, they offer a significant number of potential applications over a wide range of sectors and are the drivers of a new industrial revolution. Conventional technologies will be increasingly replaced by optical technologies; we are already seeing an acceleration of this trend. Examples of this are the use of lasers in materials processing for welding, drilling or cutting, optical data storage (CD, DVD), TFT screens or the use of lasers in the treatment of eye diseases. The potential offered by optical technologies is still a long way from being fully exploited. Technological advances are opening up an increasing number of new applications which would be inconceivable without the use of optical tech-nologies. According to forecasts by the University of Arizona the worldwide optical market will grow by an average of 16 percent per annum up to the year 2013.

In technological and economic terms the German speaking region is one of the worldwide leaders in the field of optics. According to details published by SPECTARIS, the Deutsche Industrieverband für optische, medizinische und mechatronische Technologien e.V., [the German Industrial Association for Optical, Medical and Mechatronic Technologies], manufacturers of lasers and optical components in Germany expect sales to reach approx. five billion Euros in 2005, representing a 10 percent rise compared with the previous year. A similar annual growth rate is forecast for the next five years. The international competitiveness of this sector can be seen from the proportion of exports which is in excess of 60 percent. The German industry represents a global market share of more than 25 percent, with the German optical industry consisting to a large extent of mid-cap companies and containing a large number of company start-ups. This represents a very attractive environment for a VC investment company with DEWB's structure.

Jena is undoubtedly the most important of the nine "competence centres for optical technologies in Germany". At its business location and throughout the German-speaking region DEWB maintains a strong sector network and has therefore created excellent conditions for promising investments in innovative and strong growth companies and for helping these companies achieve this growth.

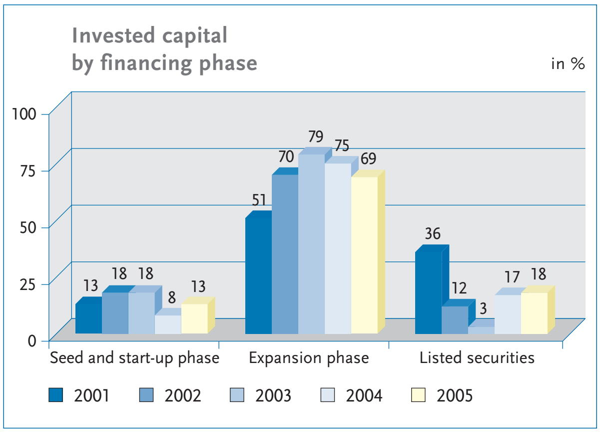
Concentration on success factors. An investment can be divided up into the phases of investment, support and the sale of investments, known in the sector as 'exits'. In each of these phases there are key factors which determine the success of an investment. In the investment phase these particularly include, in addition to a target company's marketable technology and business model, the quality of the management team and the contractual terms under which an investment is made. In order to reduce the risks of an investment, DEWB aims for example to divide the total amount invested into several tranches which are only paid providing that specified success criteria are met. Other elements of the contract normally include preferential treatment for the distribution of earnings as well as rights of information and co-determination which extend over and beyond the general provisions of company law. In this context it is important to DEWB for the agreements with the other shareholders in the company to have a balanced structure in order to ensure parallel interests between financial investor, other shareholders and management. In the support phase DEWB assists its investment in particular through providing business management and legal know-how as well as strategic contacts from its network. The key factors for success in the sale of companies, in addition to the proper preparation of the investments, the structure of the transaction and the way in which the sales negotiations are conducted, are in particular the choice of the right exit channel and the optimal potential buyers. This is an area in which DEWB has experts whom possess years of experience, including experience in complex transactions. Since the year 2000, 25 companies have been sold with a transaction volume of 233 million Euros. In this context use was made of all the main exit channels, IPOs, trade sales and buy-backs. In the year covered by the report DEWB successfully concluded two international transactions. On average, since it began in the VC investment business, DEWB has generated proceeds of 49.4 million Euros per annum through corporate transactions, with an average portfolio volume of 93.1 million Euros.

PORTFOLIO.

Portfolio consolidated. DEWB holds investments in 15 companies in the areas of optics/optical-related technologies/sensor systems, biotechnology and IT. The value of these investments, including quoted securities, totalled 52.4 million Euros as of 31 December 2005 (31 December 2004: 82.2 million Euros).

The company unique-m.o.d.e. AG was sold in December 2005, impacting on the results as of 1 January 2006. The 100 percent shareholding as of the balance sheet qualifying date resulted from the acquisition of all the remaining shares in the company during the lead-up to the sale.

Mature investment portfolio. The development of the portfolio structure by financing phase over the last five years can be seen from the diagram below:

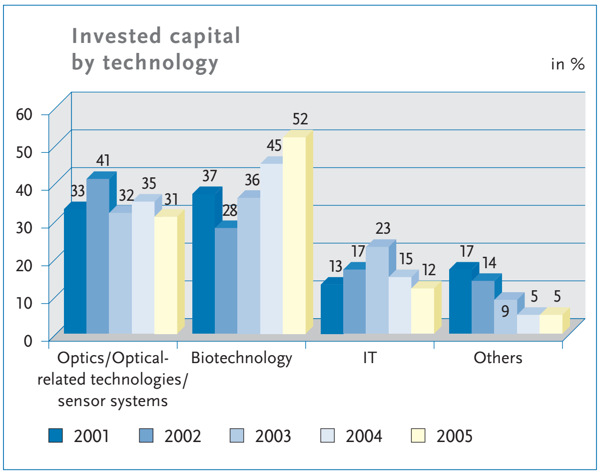


Mature companies in the expansion phase and listed securities account for 87 percent of the invested capital, with seed and start-up investments making up 13 percent of the invested capital. There has consequently been virtually no change in the share of the individual financing phases within the portfolio compared with the previous year. The focus of the DEWB portfolio is on expansion financing.

SELECTED INVESTMENTS OF DEWB AS OF 31 DECEMBER 2005

in %

	Optics/optical-related technologies/ sensor systems		Biotechnology		IT	
Listed investments	Standard Microsystems Corporation	1.2	MediGene AG	2.2		
Expansion phase	KSW Microtec AG	29.7	EPIDAUROS Biotechnologie AG	81.3	4flow AG	65.7
	OLPE Jena GmbH	44.8	Integrated Genomics, Inc.	75.2	iTAC Software AG	9.7
			NOXXON Pharma AG	23.0		
Early phase	unique-m.o.d.e. AG	100.0	Sloning BioTechnology GmbH	14.3	IVISTAR Kommunikationssysteme AG	29.3
	μ-sen Mikrosystemtechnik GmbH	40.2				
	SensorDynamics AG	9.8				



Over the last three years the share of the capital invested in biotechnology investments has grown from 36 percent to 52 percent, whilst the quota taken by investments in optics/optical-related technologies/sensor systems has remained constant at approx. 30 percent. The share taken by IT and other investments has continued to fall, as planned, since DEWB has not taken on any new commitments in these areas. The large proportion of the portfolio taken by biotechnology is attributable to the significant demand for capital from companies in this area of technology, as well as the length of time the investment is held, which is typically longer. In past years DEWB had invested a higher than average share in biotechnology. In future, the focus of the investment activity will once again be on optics/optical-related technologies/sensor systems as this is an area in which DEWB possesses technological expertise and a distinctive network and the investment volume per investment tends to reflect the size of the company. Since no new commitments are planned for biotechnology, over the medium term its share of the portfolio will reduce in favour of optics/optical-related technologies/sensor systems. The existing biotechnology and IT investments will continue to receive support for their growth, with the aim being to bring these to the exit stage over the next three years.

In 2005 the development of business by the portfolio companies was predominantly very good. For example, KWS Microtec AG in Dresden has carved out a promising position for itself in the RFID market. In the 2005 business year this profit-making company posted sales in excess of 11 million Euros, equating to an increase of more than 100 percent over the previous year. In addition to the superior process efficiency in the manufacture of RFID inlays, by comparison with its competitors, the company has a semi-active smart label suitable for mass production. This flexible active label, the only one of its kind in the world, provides for applications on flexible surfaces where the ambient conditions can be recorded and stored permanently, enabling proof of adherence to the necessary temperature or pressure ranges required. These kind of products are used for example in blood banks or for foods.

Using its proprietary Spiegelmer technology, NOXXON Pharma AG in Berlin has created a platform for the development of medicines which has enabled the development period for a potential drug candidate to be reduced to approx. 18 months. The normal development period is roughly twice as long. Spiegelmers are a new generation of aptamers which posses greater biostability. On the basis of this technology Noxxon has developed a range of potential active agents, including a Ghrelin binding agent for the treatment of obesity. Noxxon expects to conclude its first corporate deal in 2006 with a pharmaceutical company which could include the licensing of a drug candidate and the marketing of the technology platform. DEWB has issued convertible bonds within the framework of financing rounds, which after exercising the conversion right would give DEWB a stake in Noxxon Pharma AG clearly in excess of 60 percent.

The company 4flow AG based in Berlin develops and markets integrated standard software for the optimisation of logistics networks. The company also offers logistics advice ranging from the development of a logistics strategy through to its implementation within the supply chain. Its clients include, amongst others, leading companies in the automotive, chemicals and electronics industries. The company posted sales in excess of 3 million Euros and has reported positive earnings since 2004.

Approx. 7 million Euros invested by DEWB. 7.2 million Euros were invested in the year covered by the report (previous year: 15.7 million Euros). As a result of the company restructuring new investments were of secondary importance in 2005. DEWB concentrated on the development of promising business models in its existing portfolio. The investments in the past business year were made exclusively in existing investments.

TEAM.

Sharp cuts in personnel. The restructuring of DEWB entailed, in particular, a reduction in the size of the team in order to adjust the personnel numbers to suit the size and structure of the portfolio. During the course of this restructuring DEWB reduced the number of employees from 27 to 8 in the year covered by the report. In this context, it also succeeded in preserving the necessary know-how and experience within the company with key employees.

Experienced team. The team of investors is the key factor in the success of any VC business. It must take the right investment and exit decisions and negotiate corresponding contracts which must be able to safeguard the interests of the investor in respect of the VC investments and provide a structure for complex transactions. In this context very high demands are placed on each member of the team.

DEWB relinquished its previous organisational structure along the added value chain. Each investment is supported entirely by one investment manager from acquisition through to exit. The investment managers possess qualifications in the natural or engineering sciences and sound technology and market know-how. As befits their training and expertise in physics, engineering, biology or biochemistry, they look after investment companies which are orientated towards the corresponding area of technology. The Executive Board provides supplementary support for the team through its background in business administration and law and years of experience in transactions and management. The DEWB team therefore possesses the necessary interdisciplinary know-how, experience and network required to successfully develop the portfolio, identify new investment opportunities as well as organise and conclude sales of share holdings. In the past five years the team has concluded transactions totalling 205 million Euros, involving 25 companies.

Track record. DEWB has been actively involved in the VC investment business since the end of 1997. Since then a total of 338.7 million Euros has been invested in 52 investment holdings and revenues in the sum of 398.3 million Euros generated from sales of share holdings, capital repayments and interest payments. Since it started in the investment business the company has achieved a multiple of 1.3 and an Internal Rate of Return (IRR) of 18.1 percent. The IRR for the last five years (2001-2005) has been negative (2000-2004: 2.0 percent). The comparatively low return over recent years is attributable to the end of the boom in the New Economy and weak economic activity in the years 2001 to 2003. Additionally, a series of investments failed to meet the ambitious targets set out in their business plans. Furthermore, during the years 1999 to 2001 the purchase prices for VC investments were at a historically very high level, resulting in the need for adjustment over the subsequent years. These cost burdens should now be rectified. DEWB expects a return to rising IRRs which should reach a 20 percent level over the medium term.

Position of the company

CONVERSION TO IFRS.

Accounting system converted to IFRS. With the annual financial statements as of 31 December 2005, DEWB will be reporting its financial figures for the first time in accordance with the regulations of the International Financial Reporting Standards (IFRS). In order to guarantee comparability with the previous year's figures the balance sheet and statement of income as of 31 December 2004, were also converted to IFRS.

Differences in the balance sheet as of 31 December 2005 compared with the previous accounting in accordance with HGB arise particularly in the valuation of the portfolio companies. Whereas under the accounting system in accordance with HGB the procurement costs represent the upper limit for the purpose of valuing the investment, the IFRS stipulate that the figures are to be shown at their fair value. Valuations above the procurement costs are also permitted. DEWB applies this higher valuation to its non-listed investments if it has been realised by an external party, for example in a financing round during which new investors provide the majority of the financing. Listed securities are shown at their closing price on the balance sheet qualifying date. Appreciations in value which exceed the procurement costs are shown in a revaluation reserve in the shareholders' equity, without affecting the results, until realised in an exit.

EARNINGS SITUATION.

2005 was a strong year for exits. In the 2005 business year DEWB generated 37.5 million Euros from sales of holdings. The largest proportion of this figure came from the sale of a 17.5 percentage stake in OASIS SiliconSystems Holding AG, Karlsruhe as a trade sale to the US American company SMSC. In another trade sale DEWB sold its stake in Dyomics GmbH, Jena, to an American biotechnology company. In addition, in 2004 the company also sold its entire shareholding in the listed firm of Müller – Die lila Logistik AG, Besigheim, Nexus AG, Villingen-Schwenningen and around half of the shareholding in MediGene AG, resulting from the transfer of assets of Munich Biotech AG, Neuried into MediGene AG Martinsried. In 2004 the proceeds from investment sales totalled 13.4 million Euros.

In 2005 DEWB generated interest and dividend earnings of 0.6 million Euros (in the previous year: 0.5 million Euros). The proceeds from the investment business in the year covered by the report therefore totalled 38.0 million Euros as against 13.9 million Euros in the previous year.

Positive result despite the burden of depreciation and restructuring costs. After deduction of procurement and transaction costs, the company posted a result from investment transactions of 13.5 million Euros in 2005. This positive result from transactions was hit by value adjustments to investment book values in the sum of 11.2 million Euros (2004: 10.0 million Euros). The devaluations were attributable to regular valuations of investment holdings. In this context, devaluations are basically shown in the revaluation reserve in the shareholders' equity, without affecting the results. Devaluations are shown as affecting the results if there is objective evidence of the reduction in value. Subsequent appreciations in value as the result of positive developments are then not reversed, affecting the results, but allocated to the revaluation reserve without affecting the results. In the 2005 business year all reductions in value had to be shown as affecting the results as these related to reorganisation situations or definable reductions in future cash flows.

Current costs for management of the portfolio totalled 2.2 million Euros in the year covered by the report

(2004: 4.3 million Euros). Costs in the sum of 4.1 million Euros were also incurred for the restructuring of the company and one-off structural costs. The results benefited in the sum of 2.5 million Euros from a settlement payment by JENOPTIK AG and in the sum of 2.6 million Euros from the premature termination of a long term rental agreement which, under IFRS, was required to be shown in the accounts as finance leasing. Overall, DEWB therefore posted Earnings Before Interest and Taxes (EBIT) of 1.9 million Euros in the 2005 business year compared with -13.2 million Euros in the previous year.

ASSET SITUATION.

Balance sheet adjusted by non-operating assets. The balance sheet total as of 31 December 2005 was 66.8 million Euros, showing a 29.3 percent fall by comparison with the previous year. At 78.5 percent the investment portfolio, which comprises investments in non-listed and listed companies as well as long and short-term loans, accounted for the largest share of DEWB's assets. The level of capital invested in VC investments fell by 36.2 percent by comparison with the previous year to 52.4 million Euros as book value disposals for share sales and value adjustments, exceeded investments and revaluations. At the same time, liquid assets increased to 10.5 million Euros as against 3.6 million Euros in the previous year.

DEWB used the restructuring year 2005 to reduce the structure costs and dispose of non-operating assets in order to repay liabilities and consequently to strengthen the balance sheet. In conjunction with this, in the year covered by the report, tangible assets were reduced by 2.7 million Euros or 97.5 percent, primarily attributable to the premature termination of a long-term building rental contract, which are required to be shown in the accounts as finance leasing and which led to the disposal of the capitalised real estate. The liabilities resulting from this contract, in the sum of 5.2 million Euros, were simultaneously eliminated. One leased property was also sold and the proceeds used for a loan repayment.

Deferred tax assets rising from losses carried forward totalled 1.5 million Euros as of 31 December 2005. Profits arising from the sale of shares in incorporated companies by incorporated companies are in Germany fundamentally not subject to taxation under the § 8b KStG [Corporation Tax Act]. The exception under § 8b Clause 7 KStG, according to which profits from short-term results of profitable dealing by finance companies are to be taxed according to the KWG [Loans Act], was interpreted by the tax authorities in a letter from the Federal Ministry for Finance dated 25 July 2002, to the effect that the disclosure of investments in current assets is a sufficient indication of the intention to generate short-term profits from trading. DEWB considers the acquisition, development and sale of investments as its operating business and therefore shows these investments under current assets in the relevant annual financial statements for taxation purposes, correctly in accordance with German commercial law. Consequently, in the opinion of the tax authorities the profits derived from the sale of investments are subject to corporation tax.

Fiscal losses carried forward in the sum of 46 million Euros resulting from losses arising in the years 2002 to 2004. The valuation of deferred tax assets is based on profit forecasts and a tax rate of 25 percent. Since DEWB is acknowledged as a capital investment company it is not subject to business tax. Business tax was therefore not taken into account when valuing the deferred tax assets.

Marked reduction in liabilities. In 2005 DEWB used the cash inflows arising from the investment sales to repay bank loans in the sum of 16 million Euros. As of 31 December 2005 liabilities to banks totalled 19.6 million Euros (31 December 2004: 35.6 million Euros). There from 10.0 million Euros are of a long-term nature resulting from agreements with JENOPTIK AG. One loan from JENOPTIK AG was reduced to 0.5 million and repaid at the beginning of 2006. In the year covered by the report net financial liabilities, in other words interest bearing liabilities less liquid assets, were reduced overall by more than

80 percent to 9.3 million Euros. DEWB has consequently moved closer to the type of capital structure standard for capital investment companies.

Shareholders' equity quota exceeds 60 percent. The shareholders' equity rose slightly by 0.9 percent compared with the previous year, to 40.1 million Euros. In addition to the net result, the allocation of 2.5 million Euros to the capital reserve through conversion of the JENOPTIK AG loan, also contributed towards this increase. The revaluation reserve which shows the difference between the market value and the procurement value of investments up to the date of their realisation in the form of an exit, fell by 48.1 percent in the business year, to 3.7 million Euros, primarily the result of the sale of the investment in OASIS SiliconSystems Holding AG, Karlsruhe and the subsequent recording in the profits of the difference in value set aside for this company. Increases in the revaluation reserve were derived from the appreciation in the value of listed investments and the revaluation of one portfolio company for which there had previously been a requirement to record a reduction in value, affecting the results. As a result of the significant reduction in the level of debt the shareholders' equity capital increased from 42.1 percent in the previous year to 60.1 percent as of 31 December 2005. Based on the 15.23 million shares issued the shareholders' equity per share is 2.63 Euros (31 December 2004: 2.61 Euro).

LIQUIDITY SITUATION.

Large increase in liquidity. The liquidity position improved due to the operating business in the year covered by the report and reached 28.4 million Euros after the company had reported a reduction in liquidity of 15.1 million Euros in the previous year. An additional 1.3 million Euros was received from the sale of a leased property and from scheduled payments arising from a real estate fund. 16.0 million Euros of the cash inflows were used in order to repay bank loans.

Deposits with banks increased in 2005 from 3.6 million Euros at the beginning of the year to 10.5 million Euros as of 31 December 2005. With the deposits, shares in listed companies to the value of 9.3 million Euros and a current account credit line of 5.0 million Euros, DEWB is in a financially stable position and well placed to realise its investment objectives.

SUPPLEMENTARY REPORT.

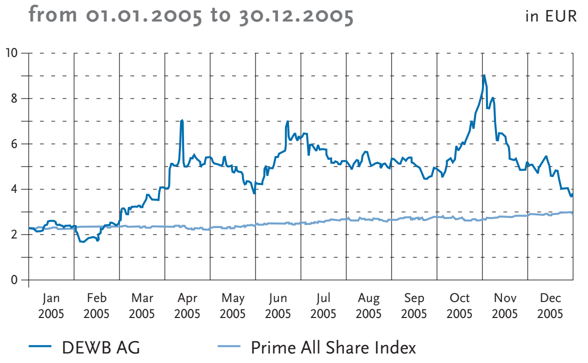
DEWB sold its investment in unique m.o.d.e. AG, Jena, affecting the results, as of 1 January 2006. The purchase price had already been paid in the year covered by the report. No other events of special importance occurred within DEWB or its environment after the end of the 2005 business year.

The DEWB share

Highly volatile share price during 2005. DEWB is a listed investment company. The shares are continually traded on the Frankfurt Stock Exchange and on XETRA under ISIN DE0008041005. Since the beginning of 2003 the shares have been authorised for trading on Prime Standard. In order to secure good tradability on the part of the share, DEWB has had a designated sponsor since 2002.

The DEWB share price was subject to significant fluctuations in 2005. At the beginning of February the share recorded its lowest closing price in 2005 at 1.80 Euros and then subsequently climbed to over 9 Euros, ending the year at a closing price of 3.90 Euros. In this context, over 36 million DEWB shares were traded on Xetra and the Frankfurt Stock Exchange in the year as a whole, representing a nine-fold increase over the previous year's figure.

DEWB AG vs. Prime All Share Index
from 01.01.2005 to 30.12.2005



The administrative decision proceedings pending since 1993 relating to the amount of the settlement payment and compensation payment in connection with a control and profit transfer agreement dated 6 April 1993, were ended in October through a ruling by the Superior Court of Frankfurt am Main. The tender period expired on 19 December 2005. The possibility cannot be ruled out that a ruling by the OLG Jena on the conditions for a tender of DEWB shares to JENOPTIK AG, as the company which previously exercised control, had an influence on the development of the share price in 2005. Appeal proceedings against the ruling by the OLG Jena are now pending before the Federal Supreme Court.

Risk report

Highly volatile business model. DEWB's business model can lead to significant fluctuations in sales, results and payment flows. The period between the investment in and sale of a VC investment is several years. Sales and profits are only realised when the shares in a VC investment are sold. The associated transactions are often complex and it is not possible to plan the timing precisely. Consequently, years of strong sales and earnings can quickly be followed by years of weak sales and earnings. The associated uncertainty of the forecast cash flows is countered by having a sufficient liquidity reserve and lines of credit.

There are risks for DEWB in particular in the failure of the business models of investment companies. If the investment holdings do not achieve the planned sales and income levels, targeted at the time of the investment, then the proceeds from the sale on exit can be below the procurement costs. The level of the proceeds from sales is also subject to market fluctuations resulting from, amongst other things, changes in the willingness of participants in the capital markets to take risks and changes in interest rate levels. Risks arising from technology, market opportunities and the liquidity situation of the investments as well as changes in the current market valuations are taken into account during regular reviews of the valuation rates applied and any loss risks identifiable in this respect are shown through value adjustments. Nevertheless, the possibility cannot be ruled out that the development by individual investments will fail to meet expectations or that the proceeds from sales will not reach the anticipated level. The assumptions drawn can also be over-pessimistic. In individual cases it is possible for the book value to be over or understated.

Additional risks can arise from concentrating investments on just a few investment holdings. As a general rule DEWB does not invest more than seven million euros in one individual investment.

DEWB's business model is to invest in growth companies. The associated opportunity to generate high profits as the value of the investment holdings increase, is set against the risk of the amount received on an exit being less than the amount invested. In order to limit the risks DEWB has implemented a sophisticated risk management system at three levels: the single investment, the investment portfolio and the DEWB as a whole.

Risk management at the investment level. The acquisition of an investment requires risk-minimisation processes during the actual acquisition phase itself. As such, DEWB concentrates its investments on its core area of technological expertise in optical technologies. This significantly reduces the risk of bad investments. Another provision for risks comes from the design of the investment contracts. As a fundamental rule dilution protection is agreed for subsequent financing rounds and priority given to the capital provider in the distribution of the exit proceeds. The investment amount is frequently divided into a number of tranches, the due payment of which is dependent upon certain targets (milestones) being achieved. The level of an investment depends upon an investment holding's development phase. A maximum of three million Euros is invested in the early phases which entail greater risk, a maximum of seven million Euros per commitment normally being invested for expansion financing. In exceptional cases the amount invested in individual investment holdings in the existing portfolio can be up to ten million Euros.

During the support phase the aim is to increase the value of the investments through active coaching and to counter undesirable developments at an early stage. The focus of investments on the German-speaking region provides close ties and geographic vicinity with the investments, ensuring a smooth, fast and flexible exchange of information. This is a key factor in success, particularly with investments in the early phases of development. The investment controlling is based on monthly reports by the investment holdings. Including quality-related and non-financial criteria in the controlling gives DEWB an early warning system, enabling it to identify undesirable developments in good time and to take the corresponding countermeasures.

Risk management at the investment portfolio level. The sectors on which DEWB's investments are focused entail a high level of technological and market risk. In addition, with biotechnology companies that develop new active agents for medicines there is the risk of clinical trials proving unsuccessful. This can mean the failure of a business model and consequently for DEWB a total loss of its investment.

By focusing on optics/optical-related technologies/sensor systems DEWB is investing in technologies with a range of applications in many different sectors, providing for a systematic reduction in the risks by creating portfolios with a diversified sector structure. DEWB is currently over-weighted in biotechnology, a situation which it intends to reduce over the coming years through exits and new investments in optics/optical-related technologies/sensor systems.

DEWB is aiming for a high proportion of late phase financing in its portfolio. The business models and technologies that require financing in this growth phase are tried and tested and already reporting the first successes in the market. Investments in these companies entail a markedly lower risk than commitments in the seed and start-up phase.

Risk management at the level of DEWB. Strategic and operational controlling is applied in order to monitor DEWB's attainment of both long and short-term targets. The development of the situation relating to the net assets, financial and earnings position is presented and analysed in up-to-date reports and forecasts, published monthly. This enables the Executive Board to respond at any time to current developments and risks.

No legal risks at present. There are currently no legal risks arising from contract errors or claims for damages against DEWB, although the possibility of these arising in the future cannot be completely ruled out.

Low overall risk. There is no identifiable risk to the survival of the company through in-solvency or over-indebtedness. As of the balance sheet qualifying date DEWB had liquid assets in the sum of 10.5 million Euros as well as short-term realisable securities with a market value of 9.3 million Euros and is therefore in a position to meet its short and medium-term payment obligations.

Forecast report

Following the sharp cuts in the restructuring year 2005, DEWB is looking ahead to the future with confidence. The general economic framework and a greater willingness on the part of clients to invest, represents a positive environment for the development of the portfolio companies. We are also seeing signs of improved prospects on the capital markets. Following the 14 IPOs in 2005, we anticipate an increase in the number for 2006. However we shall have to wait and see whether investors will revise their cautious approach to investing in technology stocks. In this context, IPOs are just one of the possible exit channels. DEWB's portfolio offers attractive investment targets for strategic buyers or other investment companies, so is not dependent upon the willingness of financial investors to subscribe to share issues.

DEWB's investment portfolio contains a number of investments ready for the exit stage. In 2006, in addition to the listed securities, DEWB will also be seeking exits for other investment holdings in the expansion phase. However, as a result of the complexity of the transactions it is difficult to forecast the timing, structure and volume of these exits. The possibility that the development of portfolio companies will fall short of expectations and that there will also be a need for value adjustments in the future, cannot be ruled out.

With its existing liquidity and the cash inflows from sales transactions, DEWB will enter into new investments within its focal area of investment of optics/optical-related technologies/sensor systems and continue to reduce its financial liabilities. In addition DEWB will look at the opportunities for the expansion of its investment funds. With liquid assets of 10.5 million Euros and shares in listed investment holdings to the value of 9.3 million Euros, DEWB already possesses a sound financial base for investing in innovative and strong growth companies.

Jena, 7 March 2006

Bertram Köhler   Falk Nuber   Mirko Wäckerle

Financial statements of DEWB AG in accordance with International Financial Reporting Standards

Balance Sheet as of 31 December 2005 and 2004 (IFRS)

Assets

	Notes No.	**31.12.2005** TEUR	31.12.2004 TEUR
A. Short-term assets		**16,880**	**10,992**
Cash and cash equivalents		10,525	3,634
Receivables from goods and services		613	1,063
Short-term receivables from investment business		4,771	5,104
Other short-term assets	4	971	1,191
B. Long-term assets		**49,900**	**83,504**
Financial investments in investment business	5	47,668	77,128
Other long-term financial assets	6	663	1,570
Tangible assets	7	71	2,784
Real estate held as a financial investment	8	0	774
Deferred tax assets	9	1,498	1,248
Total assets		**66,780**	**94,496**

Liabilities

	Notes No.	31.12.2005 TEUR	31.12.2004 TEUR
A. Short-term liabilities		**16,162**	**8,135**
Short-term liabilities to banks		9,637	5,000
Short-term portion of leasing liabilities		0	96
Liabilities from goods and services		406	98
Provisions for pensions	12	597	0
Short-term provisions	10	1,741	2,007
Other short-term liabilities		3,273	908
Short-term liabilities to shareholders		508	26
B. Long-term liabilities		**10,500**	**46,602**
Long-term liabilities to banks	11	10,000	30,613
Long-term portion of leasing liabilities		0	5,166
Provisions for pensions	12	0	613
Other long-term liabilities		500	231
Long-term liabilities to shareholders		0	9,979
C. Shareholders' equity		**40,118**	**39,759**
Subscribed capital	13	15,230	15,230
Capital reserve	16	45,752	43,252
Revaluation reserve	17	3,654	7,042
Own shares	18	0	–128
Net result		–24,518	–25,637
Total liabilities		**66,780**	**94,496**

Statement of income for 2005 and 2004 (IFRS)

	Notes No.	**2005** TEUR	2004 TEUR
Income from investment business	19		
Income from share sales		37,455	13,431
Interest and dividend income		563	491
Expenses for share sales	20	23,968	14,696
Value reductions in investment business		11,238	9,994
Gross profit from investment business	**21**	**2,812**	**–10,768**
Administrative expenses	22	2,197	4,270
Other operating income	23	6,107	2,050
Other operating expenses	24	4,773	199
Earnings before interest and taxes (EBIT)		**1,949**	**–13,187**
Financial result	25	–844	–1,575
Earnings before taxes		**1,105**	**–14,762**
Taxes on income and earnings	26	–14	–1,544
Earnings after taxes		**1,119**	**–13,218**
Earnings per share undiluted (in Euros)	27	0.07	–0.92
Earnings per share diluted (in Euros)	27	0.07	–0.92
Weighted number of shares – undiluted		15,230,000	14,431,315
Weighted number of shares – diluted		15,230,000	14,431,315

Development of shareholders' equity for 2005 and 2004

	Subscribed capital TEUR	Capital reserve TEUR	Revaluation reserve TEUR	Own shares TEUR	Net result TEUR	Shareholders' equity TEUR
Balance as of 01.01.2004	**13,228**	**35,204**	**3,949**	**–109**	**–12,419**	**39,853**
Increase in capital	2,002	8,048				10,050
Acquisition of own shares				–19		–19
Change in revaluation reserve			3,093			3,093
Net profit					–13,218	–13,218
Balance as of 31.12.2004	**15,230**	**43,252**	**7,042**	**–128**	**–25,637**	**39,759**
Transactions with shareholders		2,500				2,500
Sale of own shares				128		128
Change in revaluation reserve			–3,388			–3,388
Net profit					1,119	1,119
Balance as of 31.12.2005	**15,230**	**45,752**	**3,654**	**0**	**–24,518**	**40,118**

Statements of cash flows for 2005 and 2004

	2005	2004
	TEUR	TEUR
Net profit	1,119	–13,218
Cash flow from investment business		
Profils from sale of investments	–13,715	1,273
Receipts from sale of investments and repayment of loans	38,331	2,250
Payments made for investments	–6,847	–14,396
Value reductions to investments	11,186	9,818
Depreciation on fixed assets	206	108
Profits/losses from sale of fixed assets	50	24
Other non-cash expenses and income	–1,795	–1,393
Change in other operating assets and liabilities		
Receivables from goods and services	0	–935
Other receivables and assets	–300	1,057
Provisions	419	–431
Liabilities from goods and services and other liabilities	–255	780
Cash flow from operating activities	**28,399**	**–15,063**
Receipts from sale of tangible assets	17	1
Payments made for investments in tangible assets	–13	0
Receipts from disposal of financial assets	1,335	793
Payments for investments in financial assets	0	–54
Cash flow from investing activities	**1,339**	**740**
Receipts from increases in capital	0	5,913
Receipts from sale of own shares	226	0
Payments for acquisition of own shares	0	–49
Repayments of loans	–22,977	–5,315
Payments for finance lease	–96	–91
Cash flow from financing activities	**–22,847**	**458**
Change in cash and cash equivalents	**6,891**	**–13,865**
Cash and cash equivalents at beginning of the period	3,634	17,500
Cash and cash equivalents at end of the period	**10,525**	**3,635**
Taxes paid	0	0
Interest paid	1,410	2,083
Interest received	664	811

Notes for the 2005 business year in accordance with International Financial Reporting Standards

1 PRINCIPLES AND METHODS

Business activity of the company

The company is registered under the name of "Deutsche Effecten- und Wechsel-Beteiligungsgesellschaft AG" (here-after referred to in short as "DEWB AG" or the "Company") in the Gera Commercial Register, number HRB 8401 in Germany. The company's registered offices are in Jena.

The subject of the business activity is the acquisition, holding, management and sale of risk capital investments, primarily in technology-related sectors, as understood by § 1a Clause 2 of the Investment Companies' Act (UBGG).

Application of the International Financial Reporting Standards

These individual annual financial statements of DEWB AG were produced in accordance with the International Financial Reporting Standards (IFRS) of the IASB, taking into account the interpretations of the International Financial Reporting Interpretations Committee (IFRIC). All standards to be applied for the 2005 business year were taken into consideration. No accounting or valuation methods that do not comply with IFRS, were used.

These annual financial statements contain the following accounting and valuation methods which deviate from German law:

- Accounting for deferred taxes in accordance with the balance sheet-orientated liability method; capitalisation of deferred tax claims arising from fiscal losses carried forward

- Activation of the assets and the cash value of leasing instalments for finance lease contracts shown as liabilities in accordance with the classification criteria of IAS 17

- Valuation of pension provisions in accordance with the Projected Unit Credit Method taken into account

- Valuation of financial instruments with the exception of loans and receivables or of financial investments held-to-maturity at fair value, if this can be reliably determined, with the resultant changes in value treated as not affecting the results

  Costs of the capital procurement treated as a deduction from the capital provision, not affecting the results

  Realisation of profits or losses on swap transactions, affecting the results

  Failure to set aside provisions for restructuring in accordance with the regulations of IAS 37

2 APPLICATION OF THE INTERNATIONAL FINANCIAL REPORTING STANDARDS FOR THE FIRST TIME

General principles

These annual financial statements are the first to be drawn up in accordance with the rules of the International Financial Reporting Standards (IFRS). Attention was paid to the valid interpretations of the Standing Interpretations Committee (SIC) as well as the International Financial Reporting Interpretations Committee (IFRIC).

All standards and interpretations published as of 31 December 2005 were applied retrospectively to the conversion.

The qualifying date for the opening balance sheet in accordance with IFRS is 1 January 2004. The valuation rates for assets and liabilities were adapted to the rules of the IAS/IFRS in the opening balance sheet. In accordance with the rules of IFRS 1 the adjustment was fundamentally carried out on a retrospective basis, i.e. the accounts were prepared as though DEWB AG had always prepared its accounts in accordance with the IFRS standards to be applied as of 31 December 2005. The resultant differences in amounts were recorded in the shareholders' equity without affecting the results.

Transitional statements

The conversion gave rise to changes in the balance sheet items as set out below. Additional explanations are given under the specified item numbers in respect of the transfer of the shareholders' equity as well as the net deficit for the year 2004.

No.	Adjustments	HGB 01.01.2004 TEUR	Result of the conversion TEUR	IFRS 01.01.2004 TEUR	HGB 31.12.2004 TEUR	Result of the conversion TEUR	IFRS 31.12.2004 TEUR
	ASSETS						
	Short-term assets						
	I. Cash and cash equivalents	17,500		17,500	3,634		3,634
	II. Receivables from goods and services	128		128	1,063		1,063
	III. Temporary claims arising from investment business	3,363		3,363	5,104		5,104
	IV. Other short-term assets	1,205		1,205	1,191		1,191
	Long-term assets						
1, 2, 11	I. Financial investments of investment business	77,793	6,687	84,480	68,853	8,276	77,129
4, 5	II. Other financial assets	2,869	–404	2,465	2,038	–468	1,570
6	III. Fixed assets	246	2,621	2,867	209	2,575	2,784
3	IV. Real estate held as financial investments	1.585	–785	800	1,544	–770	774
10	V. Deferred tax assets					1,247	1,247
	Total Assets	**104,689**	**8,119**	**112,808**	**83,636**	**10,860**	**94,496**

No.	Adjustments	HGB 01.01.2004 TEUR	Result of the conversion TEUR	IFRS 01.01.2004 TEUR	HGB 31.12.2004 TEUR	Result of the conversion TEUR	IFRS 31.12.2004 TEUR
	LIABILITIES						
	Short-term borrowings						
	I. Short-term bank liabilities	5,312		5,312	5,000		5,000
6	II. Short-term portion of leasing liabilities	0	91	91	0	96	96
	III. Payables from goods and services	139		139	98		98
8, 10	IV. Short-term provisions	1,158		1,158	3,507	–1,500	2,007
	V. Other short-term liabilities	159		159	908		908
	VI. Short-term liabilities to shareholders	0		0	26		26
	Long-term borrowings						
	I. Long-term bank liabilities	35,614		35,614	30,613		30,613
6	II. Long-term portion of leasing liabilities	0	5,262	5,262	0	5,166	5,166
7	III. Pension provisions	341	134	475	378	235	613
	IV. Other long-term liabilities	202		202	231		231
	V. Long-term liabilities to shareholders	24,177		24,177	9,979		9,979
10	VI. Deferred tax assets	217	150	367	111	–111	0
	Shareholders' equity						
	I. Subscribed capital	13,228		13,228	15,230		15,230
12	II. Capital reserve	24,033	11,169	35,202	17,427	25,825	43,252
1	III. Revaluation reserve	0	3,950	3,950	0	7,042	7,042
9	IV. Own shares	0	–109	–109	0	–128	–128
	V. Cumulative result	109	–12,528	–12,419	128	–25,765	–25,637
	Total Liabilities	**104,689**	**8,119**	**112,808**	**83,636**	**10,860**	**94,496**

The conversion influenced the results of the statement of income as follows:

	HGB 2004 TEUR	Result of the conversion	IFRS 2004 TEUR
Gross profit from investment business	–9,422	–1,346	–10,768
Result of operating activity	–13,802	615	–13,187
Financial result	–1,241	–335	–1,576
Result before taxes	–15,043	280	–14,763
Result after taxes	–14,929	1,711	–13,218

The effects on the results of the cash flow account are shown below:

	HGB 2004 TEUR	Result of the conversion	IFRS 2004 TEUR
Cash flow from current business activity	–15,485	422	–15,063
Cash flow from investment activity	725	15	740
Cash flow from financing activity	894	–436	458

Starting from the shareholders' equity in accordance with HGB, the conversion to IFRS gave rise to the following adjustments in the shareholders' equity:

No.	Adjustments	01.01.2004 TEUR	31.12.2004 TEUR
	Shareholders' equity in accordance with HGB	**37,370**	**32,785**
1	Fair value assessment of investments without affecting the results	6,687	9,122
2	Realisations from swap transactions	0	–819
3	Valuation of real estate held as financial investments	–785	–770
4	Correction of estimation errors	–295	–311
5	Loans	0	–29
6	Finance leasing	–2,732	–2,687
7	Pension provisions	–134	–235
8	Restructuring provisions	0	1,500
9	Own shares	–108	–128
10	Deferred taxes	–150	1,358
11	Derivative financial instruments	0	–27
	Shareholders' equity in accordance with IFRS	**39,853**	**39,759**

The adjustments were the result of the following circumstances:

1 Fair value valuation of the investments not affecting the results

In the HGB financial statements the investments held by DEWB AG in other companies are valued at the lower of either procurement costs or fair value. If the fair value falls below the procurement costs depreciation is applied affecting the results. Subsequent increases in the fair value lead to appreciations in value affecting the results. In each case however the original procurement costs remain the upper limit for valuation purposes.

The accounting under IFRS is orientated towards the valuation category into which the shares in other companies were assigned in accordance with IAS 39. The investments held by DEWB AG in listed and unlisted companies are assigned to the available-for-sale category. Providing a fair value can be determined for the shares held, the shares are shown at the fair value. Increases in value above and temporary reductions in value below the procurement costs are recorded directly in the shareholders' equity through allocation to the revaluation reserve without affecting the results. If there is objective proof of value reductions then these are recorded affecting the results.

As of the opening balance sheet qualifying date 1 January 2004 and 31 December 2004, in value terms there was a predominance of the shares whose fair value exceeded the procurement costs. By comparison with the HGB this gives a higher book value for the investments and consequently a higher shareholders' equity in accordance with IFRS.

2 Realisations from exchange transactions

In 2004 DEWB AG invested shares of portfolio companies in return for shares in other companies. In the HGB financial statements this was treated as an asset exchange without affecting the results for which the book values of the issued shares represent the procurement costs of the shares received.

In the IFRS financial statements these exchange transactions are realised, that is the disposal of the issued shares at the book value and an addition of the shares received at the fair value. The difference arising from book value disposals and additions at the fair value produces the above-mentioned change in the shareholders' equity.

3 Valuation of the real estate held as financial investments

The real estate held as financial investments is valued in accordance with the procurement cost model. A market value calculation was carried out in the form of an income value calculation for the building plus land as a cash generating unit. The outcome of the market value calculation produced a requirement for a reduction in value which was required to be recorded as affecting the results.

4 Correction of estimation errors

In the case of an investment in a partnership which was to be valued as held-to-maturity, the cash value of the financial instrument as of 1 January 2004 was calculated using the effective interest method. This led to an IFRS rate below the investment's book value. The conversion difference did not result from a change in valuation principles but from the correction to estimation errors. When determining the valuation rate in accordance with the previous accounting system the tax charges resulting from a sale was not taken into consideration.

5 Loans

Loans include a loan claim for which no nominal amount or interest rate was agreed but fixed payments over a specified period instead. In the HGB financial statements this claim is valued at the cash value for the agreed instalments. An interest rate of 5.5% was applied for the calculation of the cash value, with recourse to § 12 Clause 3 BewG.

In the IFRS financial statements the loan claim was assigned to the held-to-maturity category under IAS 39 and is therefore shown at the amortised costs. As under HGB, the procurement costs are calculated on the basis of the cash value of the instalments. However, a standard market interest rate of 12.5% was applied as a basis for calculating the cash value. The valuation rate for the loan claim in the IFRS financial statements is therefore lower by comparison with the HGB financial statements.

6 Finance leasing

In the HGB financial statements the rental payments for the leased administration building are treated as current costs.

In accordance with the criteria of IAS 17 the rental agreement was required to be classified as finance leasing from commencement of the rental period in 2001. Accordingly, from the beginning of the rental agreement the cash value of the minimum leasing payments must be recorded as tangible assets and as a financing liability and written off or repaid over the subsequent periods.

As a result of falls in the market prices for office properties and fewer opportunities for internal utilisation, the real estate suffered a loss in value in 2003 which had to be taken into account by way of unscheduled depreciation in accordance with IAS 36. The office building is a unit that generates cash and cash equivalents. In line with the Wertermittlungsverordnung (Regulations concerning valuations) a fair value in the sum of TEUR 2,621 was determined as an achievable amount on the basis of the market data available at the time. A value reduction cost in the sum of TEUR 2,800 had to be taken into account for writing off this amount.

As a result of these transactions the building including land was shown in the opening balance sheet as of 1 January 2004 at a value of TEUR 2,621 and as a financing liability at a value of TEUR 5,353, the balance of which produced the reduction in shareholders' equity stated above.

7 Pension provisions

In the HGB financial statements the pension provisions are shown at their partial value in accordance with § 6a EStG (Income Tax Act). In the IFRS financial statements the pension liabilities are valued in accordance with the rules of IAS 19. These differ on a series of key points from the rules of § 6a EStG. Under IAS 19 estimates of future increases in salaries and pensions are taken into account whilst § 6a EStG relies exclusively on the current amounts. In addition, under HGB, a fixed interest rate of 6.0% is applied for discounting the liabilities to the cash value on the qualifying date, whereas the discounting rate under IAS 19 is governed by the current market interest rates.

These differences in the valuation of the pension liabilities produce a higher amount for provisions in the IFRS financial statements, the conversion therefore resulted in a reduction in the shareholders' equity.

8 Restructuring provisions

In the HGB financial statements a provision for restructuring was set aside in 2004. In the IFRS financial statements no provision was able to be set aside as the requirements for setting aside a provision for restructuring under IAS 37, had not been met.

9 Own shares

In the HGB financial statements the own shares held are shown under current assets. In the IFRS financial statements a deduction is made from the shareholders' equity.

10 Deferred taxes

Under HGB deferred tax assets are required to be set aside on the basis of differences between the result under commercial law and that under tax law (income statement-orientated rate). The HGB only provides for deferred tax assets to be shown within the framework of creating an accounting aid.

Under IFRS deferred taxes must be set aside for temporary differences between the tax value and the IFRS balance sheet book value of an asset or a liability (balance sheet-orientated approach). In this context, there is a disclosure obligation for both deferred tax assets and deferred tax liabilities. Furthermore, deferred tax assets are required to be set aside for tax losses carried forward providing there is the likelihood in future of sufficient taxable earnings being generated for offsetting against the losses carried forward. Deferred taxes are recorded via both the income statement as well as directly in the shareholders' equity.

In the opening balance sheet as of 1 January 2004 the recording of deferred taxes on temporary differences led to a reduction of TEUR –2,342 in the shareholders' equity. The differences for setting aside deferred tax liabilities exceed the temporary differences for setting aside deferred tax assets. Losses carried forward which can be utilised in the future resulted in deferred tax assets in the sum of TEUR 2,192.

In the year 2004 the change in the temporary differences produced tax income in the sum of TEUR 918 and from the activation of deferred taxes on losses carried forward, a positive effect on the results to the sum of TEUR 513. Shareholders' equity is recorded directly in the deferred tax assets and liabilities which also increase the shareholders' equity statement by TEUR 77.

11 Derivative financial instruments

The accounting for a convertible bond as a composite financial instrument requires the individual elements of loan claim and conversion right to be recorded separately. The standard market interest rate must be used as a basis for the valuation of the loan claim. The application of a discounting factor that deviates from the agreed interest rate – compared with the previous accounting method – gives rise to changes in interest income and consequently affects the shareholders' equity statement.

12 Capital reserve

Under HGB, withdrawals from the capital reserve for offsetting annual deficits are shown as an allocation of the result. In order for the changes in the shareholders' equity under IFRS to be shown correctly, the annual results are shown before withdrawal from the capital reserve, under a separate item in the shareholders' equity ("balance sheet result").

The transfer of the net deficit for the year 2004 is shown as follows:

No.	Adjustments	TEUR
	Net deficit for the year under HGB	**–14,930**
1	Fair value valuation of investments without affecting the results	–582
2	Realisations on swap transactions	–819
3	Valuation of real estate held as financial investments	15
4	Correction of estimation errors	–16
5	Loans	–29
6	Finance leasing	45
7	Pension provisions	–101
8	Restructuring provisions	1,500
10	Deferred taxes	1,431
11	Derivative financial instruments	–27
12	Shareholders' equity procurement costs	294
	Net deficit for the year under IFRS	**–13,218**

The adjustments are the result of the following facts:

1 Fair value valuation of the investment without affecting the result

See Point 1 of the explanations on the transfer of shareholders' equity. When selling shares for which a reduction in value has been recorded in the revaluation reserve without affecting the results, at the time of the sale the recorded reduction in value must be eliminated from the revaluation reserve, affecting the results. By comparison with the HGB financial statements, in the IFRS financial statements this results in an increase in the costs for share sales in the amount stated above.

2 Realisations on exchange transactions

See Point 2 of the explanatory notes on the transfer of shareholders' equity. As a result of the realisation of the exchange transaction the income from share sales is increased by TEUR 10,104 in the IFRS financial statements and the costs arising from share sales by TEUR 10,923.

3 Valuation of the real estate held as financial investments

See Point 3 of the explanatory notes on the transfer of shareholders' equity.

4 Correction of estimation errors

See Point 4 of the explanatory notes on the transfer of shareholders' equity.

5 Loans

See Point 5 of the explanatory notes on the transfer of shareholders' equity.

6 Finance leasing

See Point 6 of the explanatory notes on the transfer of shareholders' equity. In the year 2004 rental payments in the sum of TEUR 386 were replaced by depreciations in the sum of TEUR 46 and interest costs in the sum of TEUR 295.

7 Pension provisions

See Point 7 of the explanatory notes on the transfer of shareholders' equity. The additional allocation to the pension accruals in the IFRS financial statements is included in the administration costs.

8 Restructuring provisions

See Point 8 of the explanatory notes on the transfer of shareholders' equity. The cancellation of the restructuring accruals reduce other operating expenses.

9 Own shares

See Point 9 of the explanatory notes on the transfer of shareholders' equity..

10 Deferred taxes

See Point 10 of the explanatory notes on the transfer of shareholders' equity.

11 Derivative financial instruments

See Point 11 of the explanatory notes on the transfer of shareholders' equity.

12 Capital procurement costs

The costs of capital procurement are treated as costs in the HGB financial statements. In the IFRS financial statements the capital procurement costs are deducted from the capital reserves, without affecting the results. The deduction of capital procurement costs in the sum of TEUR 272 was carried out as of the qualifying date 1 January 2004 . A figure of TEUR 294 was taken into account for the 2004 business year.

3 ACCOUNTING AND VALUATION METHODS

Principles

In order to improve the clarity and transparency of the annual financial statements, individual items in the balance sheet and income statement are combined and explained in the Notes.

Unless specified otherwise all amounts are stated in thousand Euros (TEUR).

Assets and liabilities with a residual period of less than one year are shown as temporary items. The residual period is always calculated from the balance sheet qualifying date.

Cash and cash equivalents

The cash and cash equivalents are shown at the amortised costs. Inventories in foreign currencies are shown at the exchange rate on the balance sheet qualifying date. Cash and cash equivalents – with the exception of cash and cash equivalents balances in the sum of TEUR 33 (previous year: TEUR 160) – are exclusively credit balances with banks with immediate availability.

Receivables from goods and services and other receivables

Receivables are shown at amortised costs. Default risks may arise particularly in connection with receivables from the investment business. Identifiable credit rating risks and payment delays are taken into account through corresponding value adjustments.

Original financial assets

Original financial assets cover the shares in the investment business (unlisted and listed shares in other companies) and other financial assets.

Financial assets are activated at procurement costs on the settlement date, that is, the date the asset is created or transferred. Long-term low or non-interest bearing loans are shown at their cash value.

The follow-up valuation is governed by the category in which the financial assets are to be allocated in accordance with IAS 39. Financial assets which have been assigned to the held-to-maturity category are shown at amortised costs as of the balance sheet qualifying date. If the realisable amount as of the balance sheet qualifying date falls below the book value, value adjustments are applied affecting the results. DEWB AG assigns other loans to the held-to-maturity category.

DEWB AG assigns the shares in the investment business, shares in affiliated companies and other investments to the available-for-sale category. These are shown at the fair value as of the balance sheet qualifying date providing this can be reliably determined. There is frequently no fair value available from market transactions for investments in unlisted companies. The methods used for company valuations – particularly in the case of young companies with fluctuating earnings – do not produce a reliable market value as there is considerable uncertainty about the reliability of the assumptions upon which the valuation calculations are based. Values which can be objectively derived either from binding purchase offers or similar agreements with third parties (e.g. capital increases) are considered as being able to be reliably determined. Until such an event occurs the investments continue to be valued at amortised costs. In this context it is purely model-orientated value calculations that do not produce reliable figures.

Positive and negative changes in value are allocated to the revaluation reserve in the shareholders' equity, without affecting the results. The liquidation of the reserves affecting the results is carried out either on the sale or a sustained fall in the market value below the book values. Providing there is objective evidence of a reduction in value, this is not allocated to the revaluation reserve but recorded with an affect on the results.

Derivative financial instruments

DEWB AG is the holder of convertible bonds and convertible loans which have been issued by investment holdings. These instruments represent combined financial instruments and, at the time of the addition, are divided into the two components of loan claim (basic transaction) and conversion right (embedded derivative). The two elements are to be shown separately in the accounts.

The valuation of the two components at the time of the addition is carried out at fair value. The fair value of the loan claim is calculated as the cash value of the anticipated payments. In this context a standard market interest rate, which would have to be paid for a comparable loan without a conversion right, is applied. The fair value of the conversion right is derived from the residual value of the procurement costs for the combined instrument, less the fair value of the loan claim.

In the follow-up valuation the loan claim, as a financial instrument in the held-to-maturity category, is valued at amortised costs. The conversion rights relate to unlisted shareholders' equity instruments and must therefore be valued at amortised costs.

Real estate held as financial investments

Real estate which is held in order to generate rental income is valued at amortised costs. The depreciation on the real estate is based on estimated useful lives. An earnings value method is applied for calculating the fair value of the property.

Fixed assets

Fixed assets which are used in the operation of the business for a period of more than one year are valued at their procurement costs less scheduled straight-line depreciation. The useful lives used as a basis reflect the anticipated useful lives in the company. The useful life for buildings is 50 years, for operating and business equipment 3 to 10 years.

Finance leasing

In accordance with the regulations of IAS 17 the economic ownership of a leased asset is assigned to the lessee if this party bears all the risks and opportunities associated with the ownership of the item. Insofar as the economic ownership is to be assigned to DEWB AG the item is activated at the cash value of the leasing instalments as of the date on which the contract was signed. The depreciation methods and useful lives correspond to those of comparable, purchased assets.

Unscheduled depreciation to fixed assets

Fixed assets are subject to unscheduled depreciation as of the balance sheet qualifying date if the realisable value of the asset has fallen below the book value. The realisable value is calculated as the respective higher of net sales value and internal utilisable value.

Liabilities

Liabilities arising from finance leasing agreements are valued at the cash value of the leasing instalments as of the date of signing of contracts, other liabilities at amortised costs. Deposits received within the framework of the investment business are shown under liabilities.

Provisions

The valuation of the pension provisions are based on the accrued cash value method for defined benefit retirement pension plans as stipulated in IAS 19. The interest portion contained in the pension costs is shown as interest costs in the financial result.

Other provisions are set aside if there is a liability to third parties resulting from a past event and if this is likely in future to lead to an asset outflow and this can be reliably estimated. If no provision has been able to be set aside because one of the above-mentioned criteria has not been met, the corresponding liabilities must be shown under contingent liabilities.

The rate applied for the valuation of the provisions is reviewed at each balance sheet qualifying date.

Deferred tax items

Deferred taxes are set aside in accordance with IAS 12 for differences in valuation between the tax balance sheet and the IFRS balance sheet. Tax losses carried forward which will be probably be able to be utilised in future are capitalised at the amount of the deferred tax claim.

Realisation of income and costs

Proceeds from sales or other operating income are realised when the service is rendered or on the transfer of the risk to the recipient of the service respond/or the purchaser. Standard market purchases and sales are accounted for as of the settlement date.

Operating expenses have an affect on the results at the time of utilisation of the service or on the date such expenses are incurred.

Interest income and costs are recorded in the period in which they arise. Dividends are recorded as income when the legal entitlement arises.

Financing costs

Borrowing costs are recorded as costs.

Use of estimates

To a certain degree the preparation of the annual financial statements requires assumptions and estimates which affect the valuation rate for assets and liabilities as well as the amounts shown for expenses and income. The valuation of shares in particular is carried out on the basis of planning statements and forecasts. The assumptions and estimates are made on the basis of current knowledge. The actual developments can deviate from these assumptions and estimates.

Segment reports

At DEWB AG the investment business is run internally on an integrated basis, that is, without any segmentation into individual areas or regions. DEWB AG generates its sales primarily through the sale of investments. The portfolio companies are predominantly domestic, technology-orientated growth companies. The regional origin of the share purchaser does not give rise to any risk differences for the company's business activity. As a result of this integrated structure there is no distinction between individual segments.

4 OTHER SHORT-TERM ASSETS

Die sonstigen kurzfristigen Vermögenswerte setzen sich wie folgt zusammen:

	31.12.2005 TEUR	31.12.2004 TEUR
1. Other short-term receivables	683	224
2. Tax claims due	189	345
3. Accruals and deferrals	65	56
4. Short-term claims against affiliated companies	22	167
5. Short-term claims and loans	12	269
6. Other securities	0	130
Balance sheet valuation of other short-term assets	**971**	**1,191**

Reductions in value in the sum of TEUR 1,449 were recorded for short-term claims against portfolio companies in the business year.

5 FINANCIAL INVESTMENTS OF THE INVESTMENT BUSINESS

The financial investments of the investment business comprise the following:

	31.12.2005 TEUR	31.12.2004 TEUR
1. Investments in unlisted companies	34,005	59,560
2. Investments in listed companies	9,292	13,626
3. Long-term receivables arising from the investment business	4,371	3,942
Balance sheet valuation of financial investments	**47,668**	**77,128**

Investments in unlisted companies

Increases in fair values in the total sum of TEUR 1,119 were recorded in the business year. Value reductions applied to investments in unlisted companies totalled TEUR 9,771. The requirement for value reductions resulted from significant financial difficulties respond/or a reduction in the anticipated cash flows of the company's portfolio investments.

Investments in listed companies

Investments in listed companies are regularly shown at their fair value. The changes in the fair value are recorded in the revaluation reserve. Appreciations in value in the sum of TEUR 2,695 increased the shareholders' equity in the business year, without affecting the results. Reductions in the fair value of the investments in listed companies in the total sum of TEUR 53 were recorded directly in the shareholders' equity.

6 OTHER LONG-TERM FINANCIAL ASSETS

Other long-term financial assets comprise the following elements:

	31.12.2005 TEUR	31.12.2004 TEUR
1. Shares in affiliated companies	25	25
2. Sonstige Beteiligungen	445	1,346
3. Sonstige Ausleihungen	193	199
Balance sheet valuation of other long-term financial assets	**663**	**1,570**

7 FIXED ASSETS

The development of the book values and procurement costs of the assets shown under fixed assets in the business year was as follows:

	Land and buildings TEUR	Other equipment, business and office equipment TEUR	Total TEUR
Procurement/manufacture costs			
01.01.2005	5,527	499	6,026
Additions	0	13	13
Disposals	5,527	130	5,657
31.12.2005	**0**	**382**	**382**
Depreciation			
01.01.2005	2,952	290	3,242
Unscheduled depreciation	0	105	105
Additions	46	29	75
Disposals	2,998	113	3,111
31.12.2005	**0**	**311**	**311**
Book value as of 31.12.2005	**0**	**71**	**71**
Book value as of 31.12.2004	**2,575**	**209**	**2,784**

Fixed assets includes one property for which the rental agreement was required to be categorised as finance leasing as a result of its long-term nature and favourable purchase option. The real estate is shown at amortised costs.

The net book value as of 31 December 2004 was TEUR 2,575. Unscheduled depreciation in the sum of TEUR 2,800 was recorded on 1 January 2004.

The leasing agreement was prematurely cancelled in the 2005 business year as the result of a contractual amendment. The property was accordingly eliminated from the balance sheet. The company realised a book profit of TEUR 2,637 as a result of the disposal.

8 REAL ESTATE HELD AS FINANCIAL INVESTMENTS

The book value of a property held as a financial investment was TEUR 774 as of 31 December 2004. This value reflects the fair value as of the balance sheet qualifying date. No valuation was carried out by an independent expert. The valuation rate is based on a market value calculation using the earnings value method. The property was subject to straight-line depreciation over a useful life of 33 years and at a depreciation rate of 3.33%. The property generated rental income in the sum of TEUR 87 in the business year.

The property was sold in the 2005 business year. The proceeds from the sale totalled TEUR 700. The disposal of the asset was recorded accordingly.

	TEUR
Procurement/manufacture costs	
01.01.2005	1,667
Additions	0
Disposals	1,667
31.12.2005	**0**
Depreciation	
1.1.2005	893
Additions	26
Disposals	919
31.12.2005	**0**
Book value as of 31.12.2005	**0**
Book value as of 31.12.2004	**774**

9 DEFERRED TAX ASSETS

The deferred tax assets shown are itemised as follows:

	31.12.2005 TEUR	31.12.2004 TEUR
Deferred tax assets on temporary differences of which:		
– Recorded against tax costs	408	2,145
– Recorded against shareholders' equity	0	7
Offset by deferred tax liabilities arising from temporary differences		
– Recorded against tax costs	–564	–1,256
– Recorded against shareholders' equity	–1,218	–2,354
Deferred tax assets arising from losses carried forward	2,872	2,706
Balance sheet valuation of deferred tax assets	**1,498**	**1,248**

The deferred taxes are calculated on the temporary differences resulting from differences in approach and valuation in the individual balance sheet items. The current rate of corporation tax, 25% (previous year: 25%) was taken into account when calculating the deferred tax claims and liabilities. No account was taken of the solidarity surcharge in view of the uncertainty with regard to its permanent nature.

The tax on business earnings has also been excluded from the calculation of the deferred taxes. The company actually submitted an application in 2004 for recognition as an investment company (UBG) and as a result of the recognition in 2005 was exempted from business tax with effect from 1 January 2006. The effective tax rate for the year 2005 for the calculation of the deferred taxes arising from temporary differences and losses carried forward is 25% (previous year: 25%).

As of the balance sheet qualifying date the company had a corporation tax loss carried forward in the sum of approx. 46 million Euros (previous year: approx. 43 million Euros) which has not yet been utilised. The loss carried forward is available for offsetting against future profits and can be carried forward for an unlimited period. It is anticipated that approx. 11.5 million Euros (previous year: approx. 11 million Euros) of the tax loss carried forward will be utilised within the planning timeframe. A deferred tax claim in the sum of 2.8 million Euros (previous year: 2.7 million Euros) was shown in the accounts for this utilisable portion of the loss carried forward. No account was taken of the additional, remaining loss carried forward in the sum of 35 million Euros.

The deferred taxes are recorded as tax income and expenses in the statement of income. One exception to this is deferred taxes on temporary differences which are recorded directly in the shareholders' equity. Corresponding items are the fair value fluctuations of original financial assets recorded in the revaluation reserve without affecting the results, primarily particular investments in listed and unlisted companies. Deferred taxes on corresponding balance statements are also shown in the shareholders' equity without affecting the results.

10 SHORT-TERM PROVISIONS

The development of the provisions for the year 2005 is shown below:

	Status as of 01.01.2005 TEUR	Addition	Utilisation	Liquidation	Status as of 31.12.2005 TEUR
Provisions for taxes	43	0	0	43	0
Liabilities arising from structural adjustment	0	462	0	0	462
Payment liabilities in connection with company sales	0	400	0	0	400
Provisions for personnel	345	271	312	24	280
Outstanding invoices	298	118	193	4	219
Annual financial statements	80	167	80	0	167
Imminent losses arising from company sales	1,100	0	1,100	0	0
Others	141	201	120	9	213
Total	**2,007**	**1,619**	**1,805**	**80**	**1,741**

The payment outflow for the provisions shown is expected to take place within one year.

11 LONG-TERM BANK LIABILITIES

Bank liabilities in the sum of 10 million Euros are to be seen as long-term. The company has agreed with JENOPTIK AG that JENOPTIK AG will permit the company to repay the loan on maturity through the provision of a long-term loan.

12 PROVISIONS FOR PENSIONS

Provisions for pensions include an individual commitment to a former senior employee (previous year: two individual commitments to one active and one former senior employee). The amount of the provision is dependent upon the number of years' service rendered. Under IAS 19 this commitment is to be categorised as a defined benefit commitment. The promised benefits are valued yearly by applying the Projected Unit Credit Method. Actuarial gains or losses are taken into account in full in the year they arise. There are no plan assets available to cover the liabilities.

In the 2004 and 2005 business years the development of the provisions for pensions was as follows:

	31.12.2005 TEUR	31.12.2004 TEUR
Carried forward	612	477
Addition	102	136
Utilisation through settlement	–117	0
	597	**613**

The costs included in the statement of income, arising from the allocation to the pension provision, comprise the following:

	2005 TEUR	2004 TEUR
Past service costs	46	38
Interest costs arising from interest paid on pension liabilities	28	25
Payment of past service costs	161	0
Realisation of actuarial profits (previous year: losses)	–133	74
	102	**136**

The years service costs and the amortised actuarial profits are shown as personnel costs, the interest costs arising from interest paid on the pension liabilities, as interest costs.

The following assumptions were used as a basis for calculating pension liabilities:

	2005	2004
Interest rate	4.00%	4.50%
Pension dynamic	2.50%	1.75%
Accrued benefit dynamic	2.50%	2.00%
Fluctuation rate	n/a	0.00%

The 2005 Heubeck guideline tables (previous year: 1998 Heubeck guideline tables) were used as a biometric basis for calculation purposes.

13 SUBSCRIBED CAPITAL

The subscribed capital amounts to EUR 15,230,000 (previous year: TEUR 15,230) and is divided into 15,230,000 in the name of the holder no-par value shares.

14 AUTHORISED CAPITAL

The Executive Board was authorised by the resolution passed at the Annual General Meeting on 26 May 2004, with the consent of the Supervisory Board, to increase the share capital by up to EUR 6,600,000 until the 25 May 2009 through a single or repeated issuance of new in the name of the holder no-par shares entitled to share in the profits from the commencement of the business year of their issue in return for either a cash investment and/or investment in kind ("authorised capital 2004"). The Executive Board is authorised, with the consent of the Supervisory Board, to exclude the share-holders' purchase option right

a) in order to exclude fractional amounts from the purchase option right.

b) if the issue amount for the new shares is not significantly under the stock market price and the shares issued in accordance with § 186 Clause 3 Para. 4 AktG to the exclusion of the purchase option right does not exceed a total of ten percent of the share capital either on the date this comes into force or on the date this authorisation is exercised. The shares that were or are to be issued for option notes or convertible bonds are to be offset against this figure insofar as the promissory notes have been issued in corresponding application of § 186 Clause 3 Para. 4 AktG to the exclusion of purchase option right and the own shares are sold by the company to the exclusion of the statutory purchase option right in accordance with § 186 Clause 3 Para. 4 AktG.

c) insofar as it is necessary in order to grant holders of option notes or creditors of convertible bonds that are issued by the company or their successor group company a purchase option right to new shares in the scope to which they would have been entitled after exercising the option or conversion rights or after fulfilling conversion obligations.

The Executive Board is also authorised, with the consent of the Supervisory Board to exclude the purchase option right for increases in capital in return for investments in kind. Furthermore, the Executive Board is authorised to define the additional content of the share rights and the conditions for the issue of shares with the consent of the Supervisory Board.

15 CONDITIONAL CAPITAL

The share capital is conditionally increased by up to 6,600,000 Euros through the issue of up to 6,600,000 new no-par shares, entitled to participate in profits with effect from the commencement of the business year in which they are issued ("Conditional Capital 2004"). The purpose of the conditional increase in capital is to grant shares to the holders or creditors of option notes or convertible bonds which are issued by the company or a subsidiary company until the 25 May 2009 in accordance with the authorisation granted at the Annual General Meeting dated 26 May 2004, providing the issue is made in return for a cash investment.

It will only be carried out insofar as option or conversion rights arising from the above-mentioned promissory notes are exercised or conversion obligations arising from such promissory notes are fulfilled. The Executive Board is authorised, with the consent of the Supervisory Board, to define the further details for implementing the conditional increase in capital. As of 31 December 2005 the company had not issued any options or convertible bonds, consequently there are no conversion or purchase option rights applicable to the conditional capital.

16 CAPITAL RESERVES

The capital reserves amount to TEUR 15,858 (previous year: TEUR 15,858) which was generated through the issue of shares above the nominal amount or book value. In addition the capital reserves take into account payments from shareholders in the form of loan conversions. In the 2005 business year the provision for capital increased by TEUR 2,500 following conversion of a loan receivable.

17 PROVISION FOR REVALUATIONS

Elements of the provision for revaluations are the changes in fair value of investments held, taken into account without affecting the results and the deferred taxes recorded directly for these items in the shareholders' equity.

In the business year the provision for revaluations was reduced by TEUR 3,388. For unlisted investments the shareholders' equity was reduced by TEUR 5,567 as a result of changes in value and disposals through sales of shares in investment holdings. The balance of changes in market prices and sales of listed investments led to an increase of TEUR 1,050 in the provision for revaluations. The deferred taxes recorded in the shareholders' equity produced an increase of TEUR 1,129 in the provision for revaluations.

18 OWN SHARES

DEWB shares (53,862 no-par shares) were sold in the business year. The value of the DEWB shares deducted in the previous year was TEUR 128.

19 PROCEEDS FROM INVESTMENT BUSINESS

The proceeds from share sales increased in the business year by TEUR 24,024 or 178%, to TEUR 37,455. Income from interest and dividend payments rose by TEUR 72 or 15%.

20 COSTS FOR SHARE SALES

The costs for share sales increased from TEUR 14,696 by TEUR 9,272 or 63%, to TEUR 23,968. As the result of share sales totalling TEUR 8,288 was recorded in the result for the period on liquidation of the provision for revaluations.

Reductions were applied to the values of investment holdings in the total sum of TEUR 11,238. This corresponds to an increase of TEUR 1,244 or 12%, by comparison wit the previous year.

In the business year the company generated profits in the sum of TEUR 13,487 (previous year: losses of TEUR 1,265) arising from the sale of investments in listed and unlisted companies.

21 GROSS PROFIT ARISING FROM THE INVESTMENT BUSINESS

In the business year the company posted a gross profit in the sum of TEUR 2,812 (previous year: loss of TEUR –10,768) from the investment business.

22 ADMINISTRATION COSTS

Administration costs were reduced by TEUR 2,073 or 49% compared with the previous year, from TEUR 4,270 to TEUR 2,197. This figure includes scheduled depreciation on fixed assets in the sum of TEUR 18.

23 OTHER OPERATING INCOME

	2005 TEUR	2004 TEUR
Income from the termination of finance leasing	2,637	0
Settlement payment JENOPTIK AG	2,500	0
Settlement for services to investment holdings	500	0
Income from the disposal of own shares and other securities	103	0
Income from leasing	100	87
Income from services	41	1,702
Income from the liquidation of provisions – relating to other periods	37	86
Income from the disposal of fixed assets	1	17
Others	188	158
	6,107	**2,050**

The income derived from the rendering of services fell significantly in the business year and following completion of the restructuring.

24 OTHER OPERATING EXPENSES

	2005 TEUR	2004 TEUR
Restructuring costs	4,151	0
Costs for acceptance of financial guarantee	500	0
Scheduled depreciation on real estate held as financial assets	26	26
Loss arising from the disposal of real estate held as financial assets	48	0
Planned depreciation to fixed assets (finance leasing)	46	46
Losses arising from the disposal of financial assets	0	42
Reduction in the value of own share	0	30
Others	2	55
	4,773	**199**

Costs for the restructuring of the company as well as for the acceptance of a guarantee for a portfolio company produced a significant increase in other operating expenses.

Other expenses include current expenses in the sum of TEUR 2 (previous year: TEUR 2) for real estate held as financial investments.

25 FINANCIAL RESULT

	2005 TEUR	2004 TEUR
Income from financial asset loans	19	24
Income from other financial assets	269	256
Other interest and similar income	585	255
Other interest and similar expenses	–1,717	–2,110
	–844	**–1,575**

Interest costs include costs within the framework of finance leasing, in the sum of TEUR 290 (previous year: TEUR 295).

26 TAXES ON INCOME AND EARNINGS

Expenses for taxes in the business year are itemised according to the respective origin of the taxes on earnings, as follows:

	2005 TEUR	2004 TEUR
Deferred tax claims arising from temporary differences		
– Change in deferred tax assets	–1,738	–265
– Change in deferred tax liabilities	692	1,289
Deferred tax assets arising from the change in losses carried forward	166	513
Tax refunds for previous years	894	7
Income from tax as per statement of income	**14**	**1,544**

The calculation for the respective business years set out below shows the conversion from the anticipated tax costs respond/or income to the actual tax income shown. In order to calculate the anticipated tax cost and/or income, the effective tax rate of 39.11% (taking into account corporate tax at 25%, 5.5% solidarity surcharge and tax on business earnings – tax factor 415%) applicable for the company in the 2005 business year was multiplied by the result before taxes as per the statement of income in accordance with IFRS. The effective tax rate of 38.03% (factor for tax on business earnings 380%) applicable in the 2003 business year was applied for the review of the previous years.

	2005 TEUR	2004 TEUR
Result before taxes	**1,077**	**–14,762**
Anticipated tax costs at 39.11% (previous year: tax earnings at 38.03%)	432	–5,614
Changes in anticipated tax costs		
– Non-deductible expenses	114	241
– Tax-free income	–132	–122
– Effects of changes in tax rates	–7	1.873
– Value adjustment to deferred taxes on losses carried forward	500	5.770
– Tax refunds for previous years	–894	–7
– Permanent differences	0	–47
– Other tax effects	–27	108
Tax income as per statement of income	–14	–1.544

27 EARNINGS PER SHARE

The earnings per share reflect the net result divided by the weighted average of shares issued. It is calculated as follows:

	2005	2004
Net surplus / net loss (TEUR)	1,119	–13,218
Weighted number of issued shares	15,230,000	14,431,315
Earnings per share (EUR)	0.07	–0.92

In the 2004 and 2005 business years the company had not issued either any options or other financial instruments which had the potential for a dilution effect on the shareholders, consequently the diluted earnings per share correspond to the undiluted figure in amount terms.

28 OTHER INFORMATION

Leasing agreements

One building used within the framework of a finance leasing agreement was recorded under fixed assets. The leasing agreement gave rise to the following minimum leasing payments:

	Minimun leasing payments		Interest portions included in payments		Cash value of payments	
	31.12.2005 TEUR	31.12.2004 TEUR	**31.12.2005** TEUR	31.12.2004 TEUR	**31.12.2005** TEUR	31.12.2004 TEUR
With a residual period of up to one year	0	386	0	290	0	96
With a residual period of 2 to 5 years	0	1,544	0	1,102	0	443
With a residual period of more than 5 years	0	7,254	0	2,530	0	4,723
Total	**0**	**9,184**	**0**	**3,922**	**0**	**5,262**

As of the balance sheet date the company had the following liabilities arising from current operating lease agreements:

	Minimum leasing payments TEUR
With a residual period of up to one year	498
With a residual period of 2 to 5 years	1,855
With a residual period of more than 5 years	435
Total	**2,788**

Other financial liabilities

Liabilities arising from rental and leasing agreements are shown under operating lease agreements. Additional payment liabilities in the sum of TEUR 451 comprise agreed financing commitments in the investment business. The payments are due within a period of one year.

DEWB has liabilities arising from guarantees in the sum of TEUR 6,424 (previous year: TEUR 5,485). Of this sum TEUR 1,703 (previous year: 1,703) comprises recourse claims arising from the internal relationship in respect of a co-debtor liability.

Risk management objectives and methods

For the presentation of the company's risk management objectives and methods we refer to the explanatory notes in the management report.

Details on closely associated persons

Closely associated persons as understood by IAS 24 are shareholders of the company, investment holdings controlled by the company as well as members of the Executive Board of Supervisory Board, who exercise significant influence. Shareholders who are able to have a significant influence on the company according to IAS 28, are JENOPTIK AG and JENOPTIK Vermögensverwaltungsgesellschaft mbH. The shareholders made a loan available to the company which, as of the balance sheet date, had a balance of TEUR 478 (previous year: TEUR 9,979) and, in the business year converted loans in the sum of TEUR 2,500 (previous year: TEUR 4,138) to the capital reserve. The company incurred financing costs in the sum of TEUR 196 (previous year: TEUR 426) for the loans. Bank liabilities of the company in the sum of TEUR 19,637 (previous year TEUR 35,000) are guaranteed by the shareholders. As the result of one shareholder being exempted from liability towards third parties a liability item was incurred in the sum of TEUR 500. In the business year earnings in the sum of TEUR 2,548 were generated from business transactions with shareholders, TEUR 2,500 comprising a settlement payment and TEUR 48 the sale of a property.

The group of closely associated persons must also include companies in which the shareholders have a controlling interest and consequently are to be counted as wholly-owned enterprises of the shareholders. Liabilities to one company to be assigned under this category existed as of the balance sheet date arising from payments received within the framework of a share sale in the sum of TEUR 3,000. Business relationships with such companies are conducted at terms and conditions standard between third parties. Costs in the sum of TEUR 336 (previous year: TEUR 341) arose in particular within the framework of a finance leasing arrangement. Income in the sum of TEUR 2,637 was achieved from the termination of the finance leasing contract.

Investment companies are to be treated as closely associated persons insofar as an actual controlling arrangement exists. All business transactions with these companies are conducted under standard market conditions. Receivables due from such companies existed in the sum of TEUR 936 (previous year: TEUR 1,823) as of the balance sheet date. Costs resulting from value reductions to irrecoverable receivables were recorded in the sum of TEUR 400 (previous year: TEUR 1,371). Loans in the sum of TEUR 1,003 were converted.

In the business year the total renumeration of the Executive Board came to TEUR 458 (previous year: 512) and the total renumeration of previous members of the Executive Board, TEUR 1,685. Pension provisions in the sum of TEUR 597 (previous year: 161) exist for previous members of the Executive Board. Pension entitlements of a former member of the Executive Board were settled in 2005 through payment of a one-off capital sum of TEUR 117.

For their activity the members of the Supervisory Board received a fixed annual remuneration of EUR 20,000 per member which is reduced by 50% in years during which the annual financial statements of the company do not show a net income, taking into account the remuneration for the Supervisory Board. The Chairman of the Supervisory Board receives double this amount and the Vice Chairman of the Supervisory Board one and a half times this amount. The remuneration for the Supervisory Board for the 2005 business year is EUR 20,000 per member, the Chairman receives EUR 40,000, the Vice Chairman EUR 30,000. For its activity in the 2004 business year the Supervisory Board received payments totalling TEUR 81 in the 2005 business year.

Personnel expenses

	2005	2004
	TEUR	TEUR
Salaries	1,483	2,044
Social security contributions and costs for pensions and support	252	345
	1,735	2,389
of which for pensions	**98**	36

Employees

An average of 17 personnel were employed throughout the year.

List of shareholdings

A full list of the shareholdings in other companies in accordance with § 285 No. 11 HGB is deposited with the Gera Trade Register, entry number HRB 8401.

Declaration of compliance in accordance with the German Corporate Governance Code

Executive Board and Supervisory Board of DEWB AG have declared that they comply with the current valid version of the recommendations from the “Government Committee on the German Corporate Governance Code” with the exception of the published points. Shareholders can access this declaration via the company’s Internet site.

Fee for the audit of the annual financial statements

A provision in the sum of TEUR 96 was set aside for the audit of the annual financial statements in accordance with both the Handelsgesetzbuch [HGB] as well as in accordance with the International Financial Reporting Standards. Costs relating to other periods include an additional TEUR 11 for the audit of the previous year's annual financial statements.

Other consultancy payments for the auditors of the financial statements totalled TEUR 15 in the business year.

EXECUTIVE BODIES OF THE COMPANY

Executive Board

The following were appointed members of the Executive Board in the business year:

Bertram Köhler
Member of the Executive Board
(from 2 June 2005)

Falk Nuber
Member of the Executive Board
(from 2 June 2005)

Mirko Wäckerle
Member of the Executive Board
(from 28 February 2005)

Dr. Dietmar Kubis
Spokesperson for the Executive Board
(until 1 February 2005)

Sabine Ahlers
Member of the Executive Board
(until 7 June 2005)

Supervisory Board

The members of the Supervisory Board in the business year were:

Alexander von Witzleben
Chairman
Chairman of the Executive Board of JENOPTIK AG

Dr. Eckart von Reden
Vice Chairman
Former spokesperson for the Executive Board of the Deutsche Ausgleichsbank

Prof. Dr. Gerhard Fettweiss
Holder of the Vodafone Foundation Chair
Mobile Communication Systems at the TU Dresden

Bertram Köhler
(Employee representative up to 25 May 2005)
Investment Manager

Prof. Dr. Dr. h.c. mult. Johann Löhn
Chairman of the Executive Board
of the Steinbeis University Berlin

Falk Nuber
(Employee representative up to 25 May 2005)
Investment Manager

Christiane Bednarek
(Employee representative from 7 September 2005)
Investment Manager

Other mandates of the DEWB Directors on Supervisory Boards and other Committees

Executive Board

Bertram Köhler

- 4flow AG
  (Member of the Supervisory Board)
- Integrated Genomics Inc.
  (Member of the Board of Directors)
- NOXXON Pharma AG
  (Member of the Supervisory Board)

Falk Nuber

EPIDAUROS Biotechnologie AG
(Chairman of the Supervisory Board)
- SensorDynamics AG
  (Member of the Supervisory Board)
- DEWB Erste Vermögensverwaltungs AG
  (Chairman of the Supervisory Board)
- DEWB Zweite Vermögensverwaltungs AG
  (Chairman of the Supervisory Board)

Mirko Wäckerle

- Integrated Genomics Inc.
  (Member of the Board of Directors)
- DEWB Erste Vermögensverwaltungs AG
  (Member of the Supervisory Board)
- DEWB Zweite Vermögensverwaltungs AG
  (Member of the Supervisory Board)

Supervisory Board

Alexander von Witzleben

- Analytik Jena AG
  (Chairman of the Supervisory Board)
- Carl Zeiss Meditec AG
  (Vice Chairman of the Supervisory Board)
- Feintool International Holding AG
  (Member of the Board of Directors)
- Kaefer Isoliertechnik GmbH & Co. KG
  (Member of the Advisory Board)
- Meissner+Wurst Zander Holding AG
  (Chairman of the Supervisory Board)
- PVA Tepla AG
  (Chairman of the Supervisory Board)
- Primion Technology AG
  (Chairman of the Supervisory Board)
- Zeppelin GmbH
  (Member of the Supervisory Board)

Prof. Dr. Gerhard Fettweiss

- BT&T TIMELIFE AG
  (Member of the Supervisory Board, up to May 2005)
- ZMD AG
  (Member of the Supervisory Board)

Prof. Dr. Dr. h.c. mult. Johann Löhn

- JENOPTIK AG
  (Member of the Supervisory Board)
- M&A Consultans AG
  (Chairman of the Supervisory Board)

Christiane Bednarek

- KSW Microtec AG
  (Chairman of the Supervisory Board)
- SensorDynamics AG
  (Member of the Supervisory Board, up to 5 April 2005)
- unique-m.o.d.e. AG
  (Vice Chairman of the Supervisory Board)
- Erste DEWB Vermögensverwaltungs AG
  (Member of the Supervisory Board)
- Zweite DEWB Vermögensverwaltungs AG
  (Member of the Supervisory Board)

Jena, 7 March 2006

Bertram Köhler   Falk Nuber   Mirko Wäckerle

Auditor's Report

To Deutsche Effecten- und Wechsel-Beteiligungsgesellschaft AG

We have audited the annual financial statements prepared by Deutsche Effecten- und Wechsel-Beteiligungsgesellschaft AG – comprising balance sheet, statement of income, statement of development of the shareholders' equity, cash flow account and Notes – as well as the management report for the business year from 1 January to 31 December 2005, including the books and records. The maintenance of the books and records and the preparation of annual financial statements and management report in accordance with the International Financial Reporting Standards (IFRS), as required in the EU plus the provisions of German commercial law which are also to be applied, as well as the supplementary provisions contained in the articles of incorporation, are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements and the management report, on the basis of our audit. We were additionally instructed to ascertain whether the annual financial statements complied in full with the IFRS.

We conducted our audit of the annual financial statements in accordance with § 317 HGB ["Handelsgesetzbuch": "German Commercial Code"] in adherence to the basic principles of the proper auditing of financial statements as promulgated by the Institut der Wirtschaftsprüfer (IDW) [Institute of Auditors] as well as in additional adherence to the International Standards on Auditing (ISA). These standards require that we plan and conduct the audit in such a way that inaccuracies and breaches which materially affect the presentation of the net assets, financial position and earnings situation, as conveyed by the annual financial statements in adherence to the applicable accounting regulations and by the management report, are detected with sufficient assurance. Knowledge of the business activities, the economic and legal environment of the Company and evaluations of possible errors are taken into account in the determination of the audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the annual financial statements and management report are examined primarily on the basis of random samples within the framework of the audit. The audit includes the assessment of the accounting principles applied and the main assessments given by the legal representatives as well as the evaluation of the overall presentation of the annual financial statements and management report. We believe that our audit provides a sufficiently reliable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the information gained during the audit, the annual financial statements comply with the IFRS, as required in the EU, the provisions of German commercial law which are also to be applied, as well as the supplementary provisions in the articles of incorporation and the IFRS overall and gives a true and fair view of the net assets, financial position and earnings situation of Deutsche Effecten- und Wechsel-Beteiligungsgesellschaft AG, in adherence to these provisions. The management report concurs with the annual financial statements, conveys an overall accurate picture of the company's position and accurately presents the opportunities and risks of future development.

Without qualifying this opinion, we refer to the statements in the management report. In the risk section of that report it is stated that the investments held by the company are subject to high technological risks. In this context, the biotechnology sector entails special risks because the developments of the company hinge on the outcome of uncertain research projects.

Stuttgart, 7 March 2006

HHS Hellinger Hahnemann Schulte-Groß GmbH
Wirtschaftsprüfungsgesellschaft

Zieske	Künkele
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

DATES FOR 2006

Publication of Annual Report 2005	**30 March 2006**
Publication of interim report for the first quarter of 2006	**17 May 2006**
General Meeting 2006	**15 June 2006**
Publication of interim report for the first half year of 2006	**16 August 2006**
Publication of interim report for the first nine months of 2006	**15 November 2006**

CONTACT

Investor Relations
Mirko Wäckerle
Phone +49 (0)3641/573 3600
Fax +49 (0)3641/573 3610
E-Mail ir@dewb-vc.com

DEWB AG
Leutragraben 1
D-07743 Jena
Phone +49 (0)3641/573 3600
Fax +49 (0)3641/573 3610
www.dewb-vc.com

DEWB

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