Baader Wertpapierhandelsbank AG

Quarterly Report II / 2003

Dear Shareholders,

the improvement in investor sentiment in Q2 2003 led to considerable price rises in some cases on the stock markets.

The German benchmark indices recorded double-digit growth in H1 (DAX 11.3%, MDAX 16.8% and TecDAX 18.5%), beating the DJ Stoxx 50 hands down, which grew by only 3.3%. The biggest loser in the first half of the year was the Nikkei 225, which fell by 4.7% after adjustment for exchange rate effects. In the U.S., stock market performance was extremely heterogeneous. While the NASDAQ 100 rose by 11.7% after adjustment for exchange rate effects, the Dow Jones Industrials dropped by 1.5%.

Once again, no companies were prepared to risk going public in Germany in Q2.

As a result of the slight improvement in stock market turnover and the successful launch of MAX-ONE on the Munich Stock Exchange, Baader Wertpapierhandelsbank AG recorded a profit in Q2.
The integration of Gebhard & Schuster Wertpapierhandelshaus AG, Baader Securities AG and IPO GmbH has now been concluded following their merger with the parent company. The Company continued its strategy of aggressive leveraging of opportunities for market consolidation by acquiring the order books of 886 GmbH – another step towards consolidating and further expanding our current position on the Frankfurt Stock Exchange.

The strategy of completely discontinuing our investment business, which was set out by the Baader Group in 2001, was actively implemented in Q2 with the sale of our majority interest in the Windsurfing Chiemsee clothing company to a strategic investor.

Result of operations

In Q2 2003, the consolidated result was impacted by the cost of integrating Gebhard & Schuster Wertpapierhandelshaus AG and Spütz Börsenservice GmbH. However, at €2,064 thousand, the income from ordinary activities for Q2 was a significant improvement as against Q1 2003, resulting in a loss from ordinary activities for H1 2003 of €-424 thousand (previous year: €-24,660 thousand). Key factors in this trend were the friendlier stock market climate on the one hand, and the clear positive effect of Baader Wertpapierhandelsbank AG's strategy of broadening its earnings base by purchasing order books on the other. Overall, this resulted in net trading income more than doubling as against March 31, 2003, and rising by 15.2% year-on-year.
In addition to the improved earnings situation, Baader Wertpapierhandelsbank AG is continuing its systematic savings program. As a result, other administrative expenses were down by 8.8% year-on-year from €8,261 thousand to €7,530 thousand. The consolidated net loss as of June 30, 2003 totaled €-506 thousand – an improvement of €23,866 thousand as against June 30, 2002.

Net assets

At €137,592 thousand, total assets as of June 30, 2003 were down slightly from €143,012 thousand as of December 31, 2002. Loans and advances to other banks declined by €8,042 thousand to €19,937 thousand in H1 2003. Loans and advances to customers and

allowances for losses were also down considerably. The same applies to the interests reported under available-for-sale financial instruments. Intangible assets rose by €3,678 thousand to €4,462 thousand as a result of the capitalization of acquired rights of use.
As of June 30, 2003, consolidated shareholders' equity amounted to €104,784 thousand, and the equity ratio to 76.2%.

Financial position

On June 30, 2003, current loans and advances to banks and available-for-sale securities and financial instruments amounted to €54,098 thousand, while current deposits from banks totaled €4,567 thousands. Net liquidity thus amounted to €49,531 thousand, meaning that the solvency of the Group was guaranteed at all times during the period under review.

Outlook

H2 results will continue to reflect the positive impact of the restructuring measures already implemented. Staff costs and administrative expenses will be particularly affected.
The strategy of diversification and further expanding specialist activities will be continued in Q3, by acquiring further business and extending bond trading.
As a result of the change in regulations governing the distribution of commission income on the Frankfurt Stock Exchange, which favors specialist activities, Baader Wertpapierhandelsbank AG is expecting an improvement in future commission income.

Accounting policies

Baader Wertpapierhandelsbank AG makes use of the exempting provision of section 292(a) of the *Handelsgesetzbuch* (HGB – German Commercial Code). The following interim report was prepared in accordance with IAS 34 for the Baader Group as of June 30, 2003 in compliance with the International Accounting Standards/International Financial Reporting Standards (IASs/IFRSs) issued by the International Accounting Standards Board (IASB), as interpreted by the International Financial Reporting Interpretations Committee (IFRIC). The same accounting policies were used to prepare the interim report and determine the comparative figures for last year as were used in the consolidated financial statements as of December 31, 2002.

Basis of consolidation

In Q1 2003, Baader Wertpapierhandelsbank AG acquired Gebhard & Schuster Wertpapierhandelshaus AG and Spütz Börsenservice GmbH. Spütz Börsenservice GmbH was fully consolidated in the Baader Group. Gebhard & Schuster Wertpapierhandelshaus AG was merged with Baader Wertpapierhandelsbank AG in March 2003; the previously fully consolidated subsidiaries Baader Securities AG and IPO GmbH were merged with Baader Wertpapierhandelsbank AG in April 2003.

BAADER WERTPAPIERHANDELSBANK AG
UNTERSCHLEISSHEIM

Consolidated Balance Sheet (IAS)

for the period January 1 to June 30, 2003

Assets		Notes	June 30, 2003 €	Dec. 31, 2002 € thousands
1.	Cash reserve	(9)	1,392.78	0
2.	Loans and advances to other banks	(10)	19,936,775.25	27,979
3.	Loans and advances to customers	(10)	1,507,954.26	7,289
4.	Allowance for losses on loans and advances	(10)	-159,853.53	-7,242
5.	Assets held for trading	(11)	18,757,615.48	18,726
6.	Available-for-sale financial instruments	(12)	26,135,082.19	29,187
7.	Investments in companies carried at equity	(13)	1,026,500.00	1,026
8.	Investment securities	(14)	4,747,323.26	6,189
9.	Property and equipment	(15)	29,269,172.87	27,401
10.	Intangible assets	(16)	4,461,749.57	784
11.	Goodwill	(16)	594,792.83	0
12.	Recoverable income taxes	(17)	1,773,625.73	1,572
13.	Other assets	(18)	1,638,358.32	2,200
14.	Deferred tax assets	(17)	27,901,203.56	27,901
	Total assets		137,591,692.57	143,012

Liabilities and Shareholders' Equity		Notes	June 30, 2003 €	Dec. 31, 2002 € thousands
1.	Deposits from other banks	(19)	19,436,060.59	15,015
2.	Due to customers	(19)	298,045.24	35
3.	Provisions	(20)	6,997,726.44	12,224
4.	Provisions for taxes	(21)	128,670.18	128
5.	Other liabilities and accruals	(22)	4,833,118.43	8,168
6.	Deferred tax liabilities	(21)	249,031.65	438
7.	Minority interest		865,077.39	935
8.	Shareholders' equity			
	a) Issued capital		22,409,384.00	22,609
	b) Share premium		82,857,155.03	82,783
	c) Revaluation reserve		23,228.95	677
	d) Consolidated net loss		-505,805.33	0
	Total liabilities and shareholders' equity		137,591,692.57	143,012

BAADER WERTPAPIERHANDELSBANK AG
UNTERSCHLEISSHEIM
Consolidated income statement (IAS)
for the period January 1 to June 30, 2003

Income Statement	**Notes**	**€**	Jan. 1 - June 30, 2003 **€**	Jan. 1 - June 30, 2002 **€ thousands**
1. Interest income	**(1)**	318,343.75		947
2. Interest expense	**(1)**	-332,516.54		-1,021
3. Net interest expense	**(1)**		-14,172.79	-74
4. Allowance for losses on loans and advances			0.00	-7,154
5. Net interest expense after allowance for losses on loans and advances			-14,172.79	-7,228
6. Fee and commission income	**(2)**	3,227,440.50		3,650
7. Fee and commission expense	**(2)**	-2,887,964.50		-6,224
8. Net fee and commission income	**(2)**		339,476.00	-2,574
9. Net trading income	**(3)**		10,975,198.83	9,529
10. Net income from available-for-sale financial instruments	**(4)**		1,137,537.73	-10,539
11. Net income from investment securities	**(5)**		111,453.12	474
12. Administrative expenses	**(6)**		-19,335,306.45	-18,798
13. Loss from operations			-6,785,813.56	-29,136
14. Other operating income	**(7)**		7,204,176.83	4,987
15. Other operating expenses	**(7)**		-842,376.43	-511
16. Loss from ordinary activities			-424,013.16	-24,660
17. Income taxes on profit (loss)	**(7)**		-151,246.61	-110
18. Net loss for the period before minority interest			-575,259.77	-24,770
19. Minority interest in net loss			69,454.44	154
20. Net loss for the period before minority interest			-505,805.33	-24,616
21. Accumulated income brougt forward			0.00	244
22. Consolidated net loss			-505,805.33	-24,372

		Jan. 1 - June 30, 2003 **€**	Jan. 1 - June 30, 2002 **€**
Earnings per share		-0.02	-1.08

BAADER WERTPAPIERHANDELSBANK AG
UNTERSCHLEISSHEIM
Consolidated income statement (IAS)
(Quarterly Overview)

Income Statement	II/2003 € thousands	I/2003 € thousands	II/2002 € thousands	I/2002 € thousands
1. Net interest income/expense	107	-121	59	-133
2. Allowance for losses on loans and advances	0	0	-7,154	0
3. Net interest income/expense after allowance for losses on loans and advances	107	-121	-7,095	-133
4. Net fee and commission income/expenses	458	-119	-1,165	-1,409
5. Net trading income	7,303	3,672	2,751	6,778
6. Net income from available-for-sale financial instruments	163	975	-11,728	1,189
7. Net income from investment securities	16	95	172	302
8. Administrative expenses	-9,976	-9,359	-8,949	-9,849
9. Loss from operations	-1,929	-4,857	-26,014	-3,122
10. Other operating income	4,747	2,457	3,478	1,509
11. Other operating expenses	-754	-88	-395	-116
12. Profit/Loss from ordinary activities	2,064	-2,488	-22,931	-1,729
13. Income taxes on profit/loss from ordinary activities	193	-344	-340	230
14. Net profit/loss for the period before minority interest	2,257	-2,832	-23,271	-1,499
15. Minority interest in net profit/loss	-2	71	73	81
16. Net profit/loss for the period	2,255	-2,761	-23,198	-1,418
17. Accumulated profit/losses brought forward	55	-55	536	-292
18. Consolidated net profit/loss	2,310	-2,816	-22,662	-1,710

STATEMENT OF CHANGES IN EQUITY

	Jan. 1 – June 30, 2003 € thousands	Jan. 1 – June 30, 2002 € thousands
Equity as of January 1	**106,070**	**180,813**
Issued Capital		
- Change in treasury shares	-199	-41
Share premium		
- Change in treasury shares	-218	-142
- Adjustments from appropriation of profit	0	0
- Currency translation adjustments	0	+523
- Adjustments from consolidation	+291	+182
Retained earnings		
- Adjustments to appropriated profit	0	0
- Adjustments from consolidation	0	-783
Revaluation reserves		
- Remeasurement	-1,062	-816
- Deferred tax adjustments	+408	+356
Consolidated net loss		
- Net loss for the period Jan. 1 – June 30	-506	-24,372
Equity as of June 30	**104,784**	**155,720**

CASH FLOW STATEMENT

	Jan. 1 – June 30, 2003 € thousands	Jan. 1 – June 30, 2002 € thousands
Loss for the period (incl. Minority interest in net loss)	**-506**	**-24,616**
Cash flow from operating activities	3,603	644
Cash flow from investing activities	-8,813	16,451
Cash flow from financing activities	-417	-642
Net change in cash and cash equivalents	-5,627	16,453
Effect of exchange rate adjustments and changes in Group structure	2,063	0
Cash and cash equivalents at beginning of period	15,595	26,573
Cash and cash equivalents at end of period	**12,031**	**43,026**
Composition of cash and cash equivalents at June 30		
Loans and advances to other banks – payable on demand	16,473	43,196
Deposits from other banks – payable on demand	-4,442	-170
Cash and cash equivalents	12,031	43,026

NOTES TO THE CONSOLIDATED INCOME STATEMENT

(1) Net interest expense

	Jan. 1 – June 30, 2003 € THOUSANDS	Jan. 1 – June 30, 2002 € THOUSANDS	Change in %
Interest income from	**318**	**947**	**-66.4**
- Lending and money market business	318	947	-66.4
- Fixed-interest securities	0	0	0.0
Interest expenses	**-332**	**-1.021**	**-67.5**
Total	**-14**	**-74**	**+81.1**

(2) Net fee and commission expense

	Jan. 1 - June 30, 2003 € THOUSANDS	Jan. 1 - June 30, 2002 € THOUSANDS	Change in %
Fee and commission income	**3,227**	**3,650**	-11.6
- Securities and issue business	143	128	+11.7
- Brokerage fees	3,084	3,522	-12.4
Fee and commission expenses	**-2,888**	**-6,224**	**-53.6**
- Brokerage fees	-356	-344	+3.5
- Settlement fees	-2,467	-5,602	-56.0
- Securities and issue business	-10	0	+100.0
- Other fee and commission expenses	-55	-278	-80.2
Total	**339**	**-2,574**	**+113.2**

(3) Net trading income

	Jan. 1 - June 30, 2003 € THOUSANDS	Jan. 1 - June 30, 2002 € THOUSANDS	Change in %
Securities trading	**10,982**	**9,631**	**14.0**
- Interest and dividends	169	131	29.0
- Securities	7,876	-1,168	+747.3
- Options and futures	-7	0	-100.0
- Price differences	2,944	10,668	-72.4
Foreign currencies	**-7**	**-102**	**-93.1**
Total	**10,975**	**9,529**	**15.2**

(4) Net income from available-for-sale financial instruments

	Jan. 1 - June 30, 2003 € THOUSANDS	Jan. 1 - June 30, 2002 € THOUSANDS	Change in %
Interest and dividend income	**392**	**10**	**+3,820.0**
- Fixed-interest securities	350	0	+100.0
- Equities/other non-fixed-interest securities	42	0	+100.0
- Investments in associates	0	10	-100.0
Gain on the sale of available-for-sale financial assets			
- Equities/other non-fixed-interest securities	**872**	**838**	**+4.1**
- Investments in associates	-74	-104	+28.8
	946	942	+0.4
Write-down/write-ups	**-127**	**-11,387**	**-98.9**
Total	**1,137**	**-10,539**	**+110.8**

(5) Net income from investment securities

	Jan. 1 - June 30, 2003 € THOUSANDS	Jan. 1 - June 30, 2002 € THOUSANDS	Change in %
Interest income from	**111**	**474**	**-76.6**
- Lending and money market business	0	0	+0.0
- Fixed-interest securities	111	474	-76.6
Write-downs	**0**	**0**	**+0.0**
Total	**111**	**474**	**-76.6**

(6) Administrative expenses

	Jan. 1 - June 30, 2003 € THOUSANDS	Jan. 1 - June 30, 2002 € THOUSANDS	Change in %
Staff costs	-10,047	-9,660	+4.0
Other administrative expenses	-7,530	-8,261	-8.8
Depreciation, amortization and write-downs on intangible assets and property and equipment	-1,758	-877	+100.5
Total	**-19,335**	**-18,798**	**+2.9**

(7) Other income and expenses

	Jan. 1 - June 30, 2003 € THOUSANDS	Jan. 1 - June 30, 2002 € THOUSANDS	Change in %
Other operating income	7,204	4,987	+44.4
Other operating expenses	-842	-508	+65.7
Taxes	-151	-3	-4,933.3
Total	**6,211**	**4,476**	**38.8**

(8) Segment reporting

Segment reporting in the consolidated financial statements of Baader Wertpapierhandelsbank AG as of June 30, 2003 is classified by business segments. Segment reporting by region was dispended with the sale of Baader Securities a.s.

in €	Specialist Activities and proprietary trading	Institutional clients	Issues and equity investments	Others / Consolidation	Group
Net interest income/expense	-77,757.25	36,739.88	26,844.58	0.00	-14,172.79
Allowance for losses	0.00	0.00	0.00	0.00	0.00
Net interest income/expense after allowance for losses on loans and advances	**-77,757.25**	**36,739.88**	**26,844.58**	**0.00**	**-14,172.79**
Net fee and commission income/expense	**506,868.09**	**-296,767.67**	**129,375.58**	**0.00**	**339,476.00**
Net trading income	9,824,096.71	1,151,102.12	0.00	0.00	10,975,198.83
Net income/loss from available-for-sale financial instruments	1,446,453.82	0.00	-308,916.09	0.00	1,137,537.73
Net income from investment securities	111,453.12	0.00	0.00	0.00	111,453.12
Net income/loss from financing activities	**11,382,003.65**	**1,151,102.12**	**-308,916.09**	**0.00**	**12,224,189.68**
Administrative expenses	**14,974,524.61**	**3,258,074.46**	**1,102,707.38**	**0.00**	**19,335,306.45**
Other operating income/expenses, net	**1,189,899.45**	**-35,649.47**	**5,207,550.42**	**0.00**	**6,361,800.40**
Income/loss from ordinary activities	**-1,973,510.67**	**-2,402,649.60**	**3,952,147.11**	**0.00**	**-424,013.16**
Risk-weighted assets (thousands of €)	7,443	3	9,912	45,785	63,142
Allocated capital (thousands of €)	35,904	25	5,493	25,367	66,789
Return on allocated capital based on income before taxes	-5.50%	*	71.95%		-0.63%
Average number of employees in the half year	128	20	9	48	205

*) The character of the Agency Business is principal, that we have no own risk positions. Key figures of the institutional sales are not reasonable, because the divison by a small value near zero produce no significant key figures.

CONSOLIDATED BALANCE SHEET DISCLOSURES

(9) Cash reserve

	June 30, 2003 € THOUSANDS	Dec. 31, 2002 € THOUSANDS	Change in %
Cash on hand	1	0	+100.0
Total	**1**	**0**	**+100.0**

(10) Loans and advances

	June 30, 2003 € THOUSANDS	Dec. 31, 2002 € THOUSANDS	Change in %
Loans and advances to other banks	**19,937**	**27,979**	**-28.7**
- Payable on demand	16,472	17,513	-5.9
- Other loans and advances	3,465	10,466	-66.9
Loans and advances to customers	**1,508**	**7,289**	**-79.3**
Allowances for losses on loans and advances	**-160**	**-7,242**	**-97.8**
Total	**21,285**	**28,026**	**-24.1**

(11) Assets held for trading

	June 30, 2003 € THOUSANDS	Dec. 31, 2002 € THOUSANDS	Change in %
Bonds and other fixed-interest securities	96	151	-36.4
Equities and other non-fixed-interest securities	18,662	18,575	+0.5
Total	**18,758**	**18,726**	**+0.2**

(12) Available-for-sale financial instruments

	June 30, 2003 € THOUSANDS	Dec. 31, 2002 € THOUSANDS	Change in %
Unconsolidated affiliated companies	249	1,624	-59.2
Investments in associates	3,321	6,851	-50.8
Equities and other non-fixed-interest securities	11,904	10,054	+25.7
Bonds and debt securities	10,661	10,658	-0.8
Other equity interests	0	0	+0.0
Insgesamt	**26,135**	**29,187**	**-6.6**

(13) Investments in companies carried at equity

	June 30, 2003 € THOUSANDS	Dec. 31, 2002 € THOUSANDS	Change in %
Associated companies	1,027	1,027	+0.0
Insgesamt	**1,027**	**1,027**	**+0.0**

(14) Investment securities

	June 30, 2003 € THOUSANDS	Dec. 31, 2002 € THOUSANDS	Change in %
Bonds and other fixed-interest securities	4,747	6,189	-23.3
Total	**4,747**	**6,189**	**-23.3**

(15) Property and equipment

	June 30, 2003 € THOUSANDS	Dec. 31, 2002 € THOUSANDS	Change in %
Operating and office equipment	3,352	3,786	-11.5
Land and buildings	22,294	22,137	+0.7
Property and equipment under development	3,623	1,478	+145.1
Total	**29,269**	**27,401**	**+6.8**

(16) Intangible assets

	June 30, 2003 € THOUSANDS	Dec. 31, 2002 € THOUSANDS	Change in %
Concessions, industrial and similar rights and assets	4,461	784	+469.0
Goodwill	595	0	+100.0
Total	**5,057**	**784**	**+545.0**

(17) Recoverable income taxes

	June 30, 2003 € THOUSANDS	Dec. 31, 2002 € THOUSANDS	Change in %
Claims for actual overpayment of taxes	1,774	1,572	+12.8
Deffered tax assets	27,901	27,901	+0.0
Total	**29,675**	**29,473**	**+0.7**

(18) Other assets

	June 30, 2003 € THOUSANDS	Dec. 31, 2002 € THOUSANDS	Change in %
Other assets	1,526	2,014	-24.2
Prepaid expenses	112	186	-39.8
Insgesamt	**1,638**	**2,200**	**-25.5**

(19) Liabilities

	June 30, 2003 € THOUSANDS	Dec. 31, 2002 € THOUSANDS	Change in %
Deposits from other banks	**19,436**	**15,015**	+29.4
- Payable on demand	4,442	1,918	+131.6
- With agreed maturity or notice	14,994	13,097	+14.5
Loans and advances to customers	**298**	**35**	+751.4
- Payable on demand	298	35	+751.4
Total	**19,734**	**15,050**	**+31.1**

(20) Provisions

	June 30, 2003 € THOUSANDS	Dec. 31, 2002 € THOUSANDS	Change in %
Provisions for pensions	3,926	3,891	+0.9
Other provisions	3,072	8,333	-63.1
Total	**6,998**	**12,224**	**-42.7**

(21) Provisions for taxes

	June 30, 2003 € THOUSANDS	Dec. 31, 2002 € THOUSANDS	Change in %
Outstanding actual tax payments	129	129	+0.0
Deferred tax liabilities	249	438	-43.2
Total	**378**	**567**	**-33.3**

(22) Other liabilities and accruals

	June 30, 2003 € THOUSANDS	Dec. 31, 2002 € THOUSANDS	Change in %
Other liabilities	4,833	8,168	-40.8
Total	**4,833**	**8,168**	**-40.8**

OTHER DISCLOSURES

(23) Contingencies and commitments

	June 30, 2003 € THOUSANDS	Dec. 31, 2002 € THOUSANDS	Change in %
Contingent liabilities	**120**	**351**	**-65.8**
- Liabilities on guarantees and warranties	120	351	-65.8
- Liabilities from the granting of security for thirdparty liabilities	0	0	+0.0
Other commitments	**0**	**0**	**+0.0**
- Irrevocable loan commitments	0	0	+0.0

(24) Trust activities

	June 30, 2003 € THOUSANDS	Dec. 31, 2002 € THOUSANDS	Change in %
Shares in companies	0	7	-100.0
Trust assets	**0**	**7**	**-100.0**
Shares in companies	0	7	-100.0
Trust liabilities	**0**	**7**	**-100.0**

Information on subsidiaries

Name, registered office: Baader Management AG, Unterschleissheim
Equity interest/Share in voting rights: 100.00 %

Name, registered office: KST Wertpapierhandels AG, Stuttgart
Equity interest/Share in voting rights: 87.01 %

Name, registered office: Spütz Börsenservice GmbH, Frankfurt
Equity interest/Share in voting rights: 100.00 %

Name, registered office: Webstock AG, Unterschleissheim
Equity interest/Share in voting rights: 100.00 %