BAADER

Baader Wertpapierhandelsbank AG

Consolidated Balance Sheet and
Income Statement (IAS)
for the Fiscal Year 2002

Preface

Group Management Report

The market

As in the past two years, fiscal year 2002 saw extreme sentiment swings on the financial markets, with prices and turnover declining further.

As far as the leading global indices were concerned, the Dow Jones Industrial Average lost 30% over the course of the year, the NASDAQ 100 fell more than 47%, the Stoxx was down 41.6% and the Japanese Nikkei 225 slid a further 24%.

Germany's headline index, the DAX, fell 44% in 2002, while the MDAX "shone" in comparison, recording a relatively moderate decline of 30%. The NEMAX All Share once again plunged over 68%.

The situation in the transitional economies was much less homogeneous in the past stock exchange year. Among the key winners were the Eastern European markets, such as the Czech Republic, up 18%, and Hungary and Russia, which rose 14% and 6% respectively. In contrast, the prices of most Asian stocks declined. Chinese shares fell by 40% and Hong Kong shares by 31%; while the Indonesian stock market enjoyed slight price gains of 8%. The Turkish market saw the steepest fall, at 46%.

The price declines in 2002 were accompanied once again by significant decreases in stock market turnover around the world.

The shareholder base declined for the first time in ten years. From slightly over 20% at the end of 2001, the number of shareholders and fund shareholders fell to just on 18% of the german population (source: DAI (German Institute for Share Promotion)).

The number of new issues dropped from 32 in 2001 to just 9 IPOs in 2002. The fall in the total volume of new issues was even more drastic - from €3.2 billion to around €0.2 billion.

*) all index data is given in euros after adjustment for currency translation

Baader Wertpapierhandelsbank AG's market position

The past fiscal year saw continued consolidation within the sector. The extremely difficult stock market environment caused the liquidity situation and the equity base of many securities trading houses to deteriorate dramatically once again. Although Baader Wertpapierhandelsbank AG’s equity also decreased by 41.3% in 2002, the Company continues to offer – and not just in comparison with its competitors – a solid and competitive equity base and excellent liquidity reserves.

Baader Wertpapierhandelsbank AG used this difficult year on the markets as an opportunity to further expand its core competencies, market making and institutional agency business.

By taking over approximately 800 order books in Frankfurt, the Bank significantly expanded its high-quality base in the Market Making business segment. A total of 10,963 order books were managed at the balance sheet date, of which 8,342 related to equities, 2,154 to warrants and certificates and 467 to bonds and participation certificates.

Market Making in the Stars segments on XETRA and the NEWEX was fully discontinued during fiscal 2002. Baader Wertpapierhandelsbank AG believes that the structure of this market model would not allow it to generate positive earnings in the long term.

In fiscal year 2002, seven equity transactions with a total volume of around €13.7 million were implemented. Three companies going public on the third segment of the market of the Bavarian Stock Exchange in Munich were supported. However, poor market receptiveness caused planned new issues to be postponed.

The relocation of administrative activities to Unterschleißheim was almost completed with the move into the new building.

In summary, Baader Wertpapierhandelsbank AG is starting the new fiscal year from a strengthened position, fortified by its focus on core competencies and systematic accounting policies.

Subsidiaries and associates

The planned merger of KST Wertpapierhandels AG and Baader Wertpapierhandelsbank AG could not be performed as resolved. As a result, the shareholders of KST AG were invited to the Extraordinary General Meeting on December 20, 2002, at which it was resolved to liquidate KST AG. The agenda included the resolution on the rescission of the merger agreement and the dissolution of the company with effect from December 31, 2002. The agenda items were passed by the required majority without any dissenting votes. No objections were recorded in the minutes.

Eckes Effektenhandel AG, the subsidiary specializing in institutional agency business, was renamed Baader Securities AG, Frankfurt, in fiscal 2002.

The subsidiary IPO GmbH comprised eight equity interests as of December 31, 2002; these were written down by 83.8%.

The only foreign subsidiary, Baader Securities a.s., Prague, was sold to a Czech investor subject to a condition precedent in December 2002.

In December, Baader Wertpapierhandelsbank AG acquired a 50% interest in Heins & Seitz Capital Management GmbH, Munich. This company specializes in the brokerage of debt securities and subordinated loans. The equity investment is included in the consolidated financial statements as an associated company on the basis of the equity method.

Key events after the balance sheet date

In the initial months of fiscal year 2003, Baader Wertpapierhandelsbank AG acquired a 100% interest in Gebhard & Schuster Wertpapierhandelshaus AG and in Spütz Börsenservice GmbH. Over 100 order books were acquired from various brokerage companies, including those of MLP, ThyssenKrupp, Nokia, IBM, Apple and Coca Cola.

The Executive Board of Baader Wertpapierhandelsbank AG resolved, with the approval of the Supervisory Board, to merge the subsidiaries IPO GmbH, Baader Securities AG and Gebhard & Schuster Wertpapierhandelshaus AG with Baader Wertpapierhandelsbank AG.

Business and earnings developments

The following overview includes the main elements of the income statements for 2002 and 2001, together with the respective changes.

thousands of €	2002	2001	Change	%
Net interest income/expense	621	-381	+1,002	+263.0
Allowance for losses on loans and advances	7,071	0	+7,071	+100.0
Net fee and commission expense	-2,894	-3,743	+ 849	+22.7
Net trading income	15,996	40,143	-24,147	-60.2
Net loss from available-for-sale financial instruments	-17,792	-34,573	+16,781	+48.5
Net income from investment securities	335	439	-104	-23.7
Administrative expenses	40,375	45,950	-5,575	-12.1
Loss from operations	**-51,180**	**-44,065**	**-7,115**	**-16.1**
Goodwill write-downs	4,250	66,932	- 62,682	-93.7
Other income and expenses, net	+2,323	-5,197	+7,520	+144.7
Loss from ordinary activities	**-53,107**	**-116,194**	**+63,087**	**+54.3**
Taxes	21,856	-47,305	+69,161	+146.2
Net loss for the period before minority interest	**-74,963**	**-68,889**	**-6,074**	**-8.8**

None of the business segments were able to meet their earnings forecasts in what was the most difficult year by far in the Company’s history. By optimizing business processes in securities settlement and centralizing administrative activities in Unterschleißheim, the Company was once again able to reduce its costs and administrative expenses substantially, although this was unable to compensate for the decline in gross income.

Taking account of all provisioning measures in the form of goodwill write-downs on interests in affiliated companies, and write-downs and additions to specific valuation allowances charged on investment securities and other assets, the loss from ordinary activities totaled €-53,107 thousand, €63,087 thousand or 54.3% higher than in the previous year.

Net interest income improved against the previous year by €1,002 thousand to €621 thousand. This is mainly due to the decreased volume of securities traded that were refinanced through short-term loans provided by banks.

The allowance for losses on loans and advances principally relates to write-downs on loans and advances from companies resulting from guarantees being exercised.

The net fee and commission income of €-2,894 thousand improved year-on-year due in particular to the decrease in securities settlement expenses.

The decrease in net trading income by €24,147 thousand or 60.2% to €15,996 thousand is mainly due to lower securities turnover.

The net loss from available-for-sale financial instruments is primarily the result of the provision for losses of €19,707 thousand on investment securities and other equities. Including the risk provisions that had already been set up in the past two years, 68.1% of the original cost of these financial instruments has been written down. Not including the bonds and debt securities acquired in 2002, which are also recognized as available-for-sale financial instruments and do not represent any material risk, the average write-down was 77.7%. As of December 31, 2002 the remaining carrying amounts totaled €29,187 thousand – or €18,529 thousand excluding bonds and debt securities.

The decline in net income from investment securities is due to lower interest income from fixed-interest securities.

Administrative expenses decreased by €5,575 thousand or 12.1% to €40,375 thousand. Of this decrease, €2,130 thousand is attributable to staff costs and €4,016 thousand to other administrative expenses. In contrast, depreciation and amortization expense increased by €571 thousand. Administrative expenses include €2,510 thousand for restructuring measures, in particular for severance payments.

Goodwill write-downs primarily relate to interests in Baader Securities AG, which is to be integrated into Baader Wertpapierhandelsbank AG this year.

“Other income and expenses, net” comprises income of €6,449 thousand and expenses of €4,126 thousand. Income in the amount of €4,080 thousand mainly relates to the reversal of provisions for onerous contracts. The expenses are principally due to the deconsolidation of the subsidiary Baader Securities a.s. (€1,226 thousand), as well as additions to provisions for onerous contracts (€2,371 thousand).

In light of the current imponderabilities surrounding future tax legislation and the present uncertainty on the capital market, a discount of 50% was deducted from the total capitalizable deferred taxes amounting to €55,553 thousand. This results in income tax expense for accounting purposes of €22,884 thousand.

Net assets

The overview below illustrates the main items on the balance sheet for fiscal year 2002 compared with the previous year.

thousands of €	2002	2001	Change	
Assets				%
Cash reserve	0	0	0	0.00
Loans and advances to banks	27,979	82,887	-54,908	-66.2
Loans and advances to customers	7,289	981	+6,308	>100.0
Allowance for losses on loans and advances	-7,242	-171	+7,071	>100.0
Assets held for trading	18,726	30,403	-11,677	-38.4
Available-for-sale financial instruments				
a) Shares, investments, unconsolidated affiliated companies	18,529	37,877	-19,348	-51.1
b) Bonds and debt securities	10,658	0	+10,658	+100.0
Investments in companies carried at equity	1,026	0	+1,026	+100.0
Investment securities	6,189	29,557	-23,368	-79.1
Land and buildings	22,137	2,870	+19,267	>100.0
Other property and equipment	5,264	10,576	-5,312	-50.2
Intangible assets	784	626	+158	+25.2
Goodwill	0	4,387	-4,387	-100.0
Recoverable income taxes	1,572	5,833	-4,261	-73.1
Other assets	2,200	2,225	-25	-1.1
Deferred tax assets	27,901	50,661	-22,760	-44.9
Total assets	**143,012**	**258,712**	**-115,700**	**-44.7**
Liabilities and Shareholders' Equity				
Deposits from other banks	15,015	49,500	-34,485	-69.7
Due to customers	35	24	+11	+45.8
Provisions	12,224	11,078	+1,146	+10.3
Provisions for taxes	128	4,231	-4,103	-97.0
Other liabilities and accruals	8,168	10,312	-2,144	-20.8
Deferred tax liabilities	438	1,232	-794	-64.5
Minority interest	935	1,522	-587	-38.6
Shareholders' equity	106,069	180,813	-74,744	-41.3
Total liabilities and shareholders' equity	**143,012**	**258,712**	**-115,700**	**-44.7**

Total assets decreased by €115,700 thousand or 44.7% to €143,012 thousand in the year under review. This decline is principally due to the reduction of the loans and advances to banks, investment securities and deferred tax assets.

Loans and advances to banks mainly relate to credit balances lodged as collateral for the settlement of stock market transactions.

Assets held for trading consist of listed shares and bonds which are disclosed on the balance sheet at a value of €18,726 thousand.

Available-for-sale financial instruments primarily consist of shares totaling €10,054 thousand, investments of €6,850 thousand, and unconsolidated subsidiaries and other shareholdings amounting to €1,624 thousand, as well as bonds and debt securities totaling €10,658 thousand.

Investments in companies carried at equity relate to the interest acquired in Heins & Seitz Capital Management GmbH, Munich, during the year under review.

Investment securities consist of debt securities and other fixed-interest securities totaling €6,189 thousand.

“Land and buildings” consists solely of the new administrative building and the plot of land in Unterschleißheim. The building was aspirated in October 2002.

Goodwill was written off in full in the year under review in connection with the Group’s reorientation.

Deposits from other banks include loans of €13,096 thousand for the financing of the administrative building.

Provisions primarily comprise provisions for contingent liabilities and retirement benefits, as well as provisions for restructuring measures.

Other liabilities and accruals mainly relate to trade payables and current liabilities to employees.

The losses incurred in fiscal year 2002 substantially reduced the Company’s equity base. However, with an equity ratio of 74.2%, the Company continues to have competitive capital resources which will ensure further growth.

Financial position

The Group's solvency was guaranteed at all times during the period under review. At the balance sheet date, short-term liabilities to banks in the amount of €1,919 thousand were offset by short-term loans and advances to other banks of €27,979 thousand as well as available-for-sale assets held for trading, bonds and debt securities and financial investments totaling €35,123 thousand. This produces a net balance-sheet liquidity surplus of €61,183 thousand.

Declaration in accordance with section 312 of the AktG

In accordance with section 312 of the *Aktiengesetz* (German Public Companies Act), the Executive Board prepared a report on the Company's relations with affiliated companies, which concludes with the following declaration:

"According to the circumstances known to the Executive Board at the time when the legal transactions or other measures listed in the report on relationships with affiliated companies were performed Baader Wertpapierhandelsbank AG received appropriate consideration for such transactions or measures. The Bank was not adversely affected by any measures taken or not taken. All reportable transactions were resolved by the Executive Board, approved by the Supervisory Board to the extent that this was required by the Articles of Association or the by-laws of Baader Wertpapierhandelsbank AG, and listed in this dependent companies report."

Employees

The number of staff employed by the Group at the balance sheet date fell by 25 against the previous year to 186.

Baader Wertpapierhandelsbank AG places particular emphasis on its employees having high levels of qualifications. Its attractiveness to employees has grown with the new administrative location in Unterschleißheim and the introduction of additional social benefits.

The year 2002, with its prolonged bear market, the economic downturn in Germany and the accompanying increase in unemployment rates, as well as the dramatic events in the crisis areas, presented the Group's employees with enormous challenges. Management would like to take this opportunity to thank all employees for the dedication and loyalty they have demonstrated.

Environmental report

The services provided by Baader Wertpapierhandelsbank AG do not materially impact the environment in any way.
The Company places great emphasis on conserving production resources (photocopiers, printers and other office equipment) and consumables. The new administrative building in Unterschleißheim was constructed in line with the ecological state-of-the-art, particularly with regard to water, heat and air conditioning.

Risk report

Deliberately taking financial risks and exploiting financial opportunities forms the basis of Baader Wertpapierhandelsbank AG's activities. As a stockbroker, the Company relies to a large extent on the success of its trading business and therefore depends on developments in share prices and turnover on the capital markets. The challenge for the Company is to position itself accordingly in the current difficult market environment. Last year's market shakeout among stockbrokers will intensify further this year, presenting us with opportunities as one of the largest brokers.

The Bank deals with these financial risks using a risk control and management system corresponding to the "Minimum Requirements for Trading Activities" and the "Minimum Requirements for Banking Activities" issued by the *Bundesaufsichtsamt für das Kreditwesen* (Federal Banking Supervisory Authority). Its risk policy covers the areas of risk control, market tracking, risk management and the market. The functional and organizational separation of these areas is ensured up to the level of the Executive Board.

Risk control at the consolidated subsidiaries within the Baader Group is performed by means of supervisory board mandates exercised at the respective subsidiaries; at least one Executive Board member of Baader Wertpapierhandelsbank AG is a member of the management or supervisory board of each subsidiary.

To limit the risks relating to its business, the Company has installed a Group-wide system for measuring and monitoring risk positions and for analyzing and managing related potential losses. The available risk capital in the Group is allocated to the individual divisions using a top-down approach, e.g. taking RORAC indicators into account. The following relevant risk types have been identified: default risks, investment risks, market risks, liquidity risks, property risks, legal risks and operational risks.

Default risks

In the area of default risks, a distinction is made between the counterparty and issuer risks inherent in trading and country risks and credit risks.

When trades are settled, a counterparty risk can arise if a trading partner fails to fulfill all his or her obligations. Since all transactions performed by the Group are settled successively as payment-against-delivery transactions, a counterparty risk in the sense of an advance payment risk or settlement risk does not exist. The replacement risk is negligible due to the fact that transactions concluded are settled on the value date. With regard to the Bank's money market dealings, money market dealing lines based on credit checks and corresponding loan decisions exist for the counterparties.

Issuer risk – i.e. the risk of deterioration in creditworthiness or the default of an issuer – is offset by assigning issuers to creditworthiness categories and then deducting the corresponding commitment from the limit set. These limits, which must also be adhered to in the case of intraday trading, are designed so that the large exposure limits laid down by the regulatory authorities cannot be reached.

Country risk represents the danger that receivables due from cross-border transactions and/or in foreign currency may not be received as a result of sovereign acts (exchange controls or the prohibition of cross-border delivery of securities). The country risk currently only applies to bonds denominated in euros or DM which are issued by a non-EU member state. The market value of positions with an inherent country risk amounted to €3.25 million at the year-end; the expected default risk was €0.10 million. The positions have a short maturity.

Investment risks

In the past, investments were usually made with the intention of selling the investees to companies in the same sector or financial investors, or floating them at a later point in time. The Baader Group has discontinued its investment business; no new investments will be made. The existing portfolio will nonetheless continue to be managed with an eye toward value enhancement and will be realized in the medium term via suitable exit strategies.

The risk posed by the remaining investments is calculated on the basis of the statistically possible market price risk: this amounted to €0.66 million for the Bank at the year-end. This risk is used to calculate risk capital and is also included in annual planning for future fiscal years.

Market price risks

Baader’s trading book positions are the main source of risk in relation to fluctuations in value due to changing market prices. The following risk positions existed at the end of the year (market value in € million):

	Baader Wertpapierhandelsbank AG	**Baader Group**
Equities	11.6	11.2
Bonds	11.0	11.0
Funds / certificates	3.5	3.5
Warrants	0.0	0.0

Examples of market price risk are the risk of changes in the share price, the exchange rate and the interest rate. The risk that the share price will change is of particular concern to the Baader Group due to its business strategy.

These market price risks are calculated using a value-at-risk model applied throughout the Group. The parameters set are a one-day holding period and a confidence level of 1%. The risk factors are determined using a variance-covariance matrix based on the Bank’s own time series.

The following values-at-risk (VaR) for Baader Wertpapierhandelsbank AG were calculated, for example:

Value-at-risk of the trading segments				**Share price risk**	**Interest rate risk**	**Currency exchange risk**
€ million	**2000**	**2001**	**2002**	**2002**	**2002**	**2002**
Year-end VaR	4.82	0.34	0.73	0.63	0.02	0.08
Minimum VaR	2.80	0.31	0.19	0.05	0.00	0.01
Maximum VaR	6.45	4.90	1.10	0.71	0.02	0.26
Average VaR	4.25	1.26	0.40	0.31	0.01	0.08

The market price risk of the Group’s subsidiaries is assessed daily on the basis of their individual risk positions. The risk is calculated according to the same models and parameters used at Baader Wertpapierhandelsbank AG. The following VaR values were calculated for the Group as a whole, i.e. including Baader Securities a.s., Prague, KST Wertpapierhandels AG and Baader Securities AG, Frankfurt:

Value-at-risk of the trading segments			
€ million	**2000**	**2001**	**2002**
Year-end VaR	5.27	1.71	1.10
Minimum VaR	3.25	0.69	0.60
Maximum VaR	6.45	5.30	2.06
Average VaR	4.25	1.71	1.39

The quality of our value-at-risk model is constantly reviewed using the ratio of the VaRs to changes in the position's actual market price (clean backtesting) and further developed on the basis of these results. The VaR calculations are supplemented by worst-case scenarios including extraordinary market price changes.

The limits for the market price risks in the Group are set once a year at the beginning of the fiscal year by a majority of votes in a resolution passed by the Company’s overall Executive Board. The risk capital is also allocated accordingly using, for example, RORAC indicators and the volume of trade.

Liquidity risks

Liquidity risks may occur due to the lack of liquidity of trading products or due to the lack of own liquidity.

For example, securities with varying market liquidities exist. Low market liquidity in individual trading products means that transactions in these products – both to establish and to close out positions – are impacted or impossible as a result of the low or non-existent market liquidity. For Baader Wertpapierhandelsbank AG, the liquidity of the – principally – foreign categories on the respective home stock exchanges is the decisive factor.

The Bank's short-term liquidity is managed via cash management. The close harmonization of our securities trading and cash management functions ensures that daily payment flows are coordinated. Particular strains on liquidity from other areas are immediately reported to cash management. In addition, a liquidity status report giving the current liquidity position is issued daily.

The Bank's medium- to long-term liquidity surplus is calculated periodically and is used by the Investment Committee in its meetings to manage excess liquidity and make the corresponding investment decisions.

Property risk

Baader Wertpapierhandelsbank AG's own office buildings were completed and aspirated during the past year. The property risk for the fiscal year is covered by the pro rata depreciation on the building.

Legal risks

Legal risks arise if agreements that have been concluded cannot be legally enforced. This is generally due to the fact that the agreements have not been unambiguously or adequately documented.

To minimize this legal risk, trading is only permitted on markets with standardized trading or settlement systems as a matter of principle. In addition, clear trading guidelines are provided for markets and products. Before trading in innovative products or new markets, the legal situation, customs and documentation relating to the transactions are described in detail in an introductory plan.

Operational risks

Operational risks can arise due to technical malfunctions of the computer systems. Inspections of the IT systems, procedures and access opportunities are documented in writing.

The availability of the systems is ensured by technical safeguards (e.g. contingency plan, data backup, backup data center). If a system crashes, the contingency plan that has been laid out in writing must be followed. This plan is cyclically adapted to changes in processes.

Outlook

2002 again demonstrated how difficult it is to predict the development of trading volumes and share prices on the global stock markets. Equally, it is extremely difficult to make a prediction concerning developments on the national and international markets in 2003.

The profit expectations of many companies remain subdued, and political developments in 2003 are fueling the uncertainty on the German capital market. Nevertheless, historical trends in securities trading show that the stock markets always price in future developments and support the probability of a market turnaround after three years of contraction. While this does not point to a dramatic recovery on the international markets in 2003, it is nonetheless safe to say that expectations of stock market developments are cautiously optimistic.

The German capital markets are continuing to experience upheaval. The main factors contributing to this development are the intended implementation of a central counterparty for the settlement of securities transactions, the launch of the MAX-ONE market model on the Munich Stock Exchange and NASDAQ Germany on the Bremen/Berlin Exchange. With a secure equity base, a large number of well-trained traders and a high degree of technological expertise and organization, Baader Wertpapierhandelsbank AG can present itself to stock exchanges and market participants as a strong, stable partner, thus opening up new earnings potential. Structural changes on the stock markets will increasingly necessitate investments on the part of participating institutions. Baader Wertpapierhandelsbank AG has made the necessary investments in terms of its staff, organization and finances and is actively driving these changes forward.

During 2003, Baader Wertpapierhandelsbank AG will concentrate on expanding its trading in fixed-interest securities and derivatives, as well as increasing its equity trading. The Company will continue to play an active role in the ongoing process of sector consolidation. This is also highlighted by the Bank’s acquisitions in the opening months of fiscal 2003.

Implementation of the resolutions concerning the discontinuation of the Investments business segment will continue in 2003. The disposal of individual companies will free up resources that can be concentrated on the remaining portfolio, thus ensuring an increase in its value.

Given the sustained uncertainty on the markets, a substantial revival of the IPO business does not appear to be in the cards. The Executive Board estimates that, as in 2002, stock market sentiment in 2003 will demonstrate only a very limited capacity for new issues.

Baader Wertpapierhandelsbank AG is extremely well positioned in many areas of securities trading. For this reason, the Executive Board believes that, despite the difficult market environment in 2003, the Company will be able to boost its operating results substantially.

Unterschleißheim, March 17, 2003
Baader Wertpapierhandelsbank AG

The Executive Board

Uto Baader Dieter Brichmann Stefan Hock

Report of the Supervisory Board

In the past fiscal year, the Executive Board regularly informed the Supervisory Board in written and oral reports about the intended business policy, fundamental issues of future management, the position and development of Baader Wertpapierhandelsbank AG and the Group as well as key business transactions, and advised the Supervisory Board on these issues.

Five meetings of the Supervisory Board were held during the year under review. The key focus of the discussions between the Executive Board and the Supervisory Board was the Bank's organizational and strategic positioning, as well as the latest changes on the stock market.

On December 10, 2002, the Supervisory Board dissolved the Investment Committee which, in addition to providing current information, discussed the Group's investment activities at four meetings and decided on corresponding decision-making documents to be submitted to the Executive Board. This committee is no longer required following the Executive Board's decision to dissolve the Investments segment.

On the same day, the Supervisory Board formed an Audit Committee to deal in particular with issues relating to accounting, risk management, the granting of the audit mandate and the auditor's required independence and fee arrangement, as well as the focus of the audit.

The Chairman of the Supervisory Board was also informed about important decisions and key business transactions in regular discussions with the Executive Board.

The annual financial statements and management report of Baader Wertpapierhandelsbank AG and the consolidated financial statements for the year ended December 31, 2002, together with the group management report and the dependent companies report, including the accounting, were audited by Clostermann & Jasper Partnerschaft, Wirtschaftsprüfungsgesellschaft und Steuerberatungsgesellschaft, Bremen, the auditor chosen by the General Meeting, in accordance with the legal provisions and issued with an unqualified audit opinion.

The Executive Board attended the final meeting of the Audit Committee with the auditors. The auditors reported on their audit as a whole and on individual focal points, providing detailed answers to the questions posed by the members of the Audit Committee. The Audit Committee concurred with the auditors' findings. It examined the annual financial statements and management report of Baader Wertpapierhandelsbank AG presented by the Executive Board as well as the consolidated financial statements, together with the group management report and the dependent companies report, including the audit report. Following the conclusion of its examination, the Supervisory Board did not raise any objections.

In today's meeting, the entire Supervisory Board approved the annual financial statements for 2002 prepared by the Executive Board and hence adopted them in accordance with section 172 of the AktG. It also approved the consolidated financial statements for 2002. The Supervisory Board concurs with the Executive Board's proposal to offset the net loss in full by making corresponding withdrawals from reserves.

The Supervisory Board would like to thank the Executive Board and all employees for their conscientious and successful work in the past, difficult fiscal year.

Unterschleißheim, March 25, 2003

The Supervisory Board

Dr. Horst Schiessl
Chairman

Table of contents

Baader Wertpapierhandelsbank Aktiengesellschaft
Unterschleißheim
Consolidated Balance Sheet (IAS) for the period ended December 31, 2002

Assets	Note	Dec. 31, 2002 €	Dec. 31, 2001 € thousands
1. Cash reserve	(7, 31)	72,82	0
2. Loans and advances to other banks	(8, 32)	27.978.859,36	82.887
3. Loans and advances to customers	(8, 33)	7.289.051,16	981
4. Allowance for losses on loans and advances	(9, 21, 34)	7.241.961,06	-171
5. Assets held for trading	(10, 22, 35)	18.725.808,40	30.403
6. Available-for-sale financial instruments	(11, 22, 36)	29.186.989,16	37.877
7. Investments in companies carried at equity	(4,37)	1.026.500,00	0
8. Investment securities	(12, 22, 38)	6.189.313,89	29.557
9. Property and equipment	(13, 23, 39)	27.400.900,48	13.446
10. Intangible assets	(4, 14, 15, 23, 40)	784.040,47	5.013
11. Recoverable income taxes	(41)	1.572.096,09	5.833
12. Other assets	(42)	2.199.564,28	2.225
13. Deferred tax assets	(18, 28, 43)	27.901.203,56	50.661
Total assets		143.012.438,61	258.712

Liabilities and Shareholders' Equity	Note	Dec. 31, 2002 €	Dec. 31, 2001 € thousands
1. Deposits from other banks	(16, 44)	15.014.769,50	49.500
2. Due to customers	(16, 45)	35.191,65	24
3. Provisions	(17, 26, 27, 46)	12.224.143,79	11.078
4. Provisions for taxes	(47)	128.670,18	4.231
5. Other liabilities and accruals	(48)	8.167.862,96	10.312
6. Deferred tax liabilities	(18, 28, 49)	437.722,60	1.232
7. Minority interest	(30)	934.531,83	1.522
8. Shareholders' equity	(19, 24, 50)		
a) Issued capital		22.608.909,00	22.915
b) Share premium		82.783.488,31	150.525
c) Retained earnings		0,00	6.183
d) Revaluation reserve		677.148,79	1.190
e) Consolidated net profit		0,00	0
Total liabilities and shareholders' equity		143.012.438,61	258.712

Baader Wertpapierhandelsbank Aktiengesellschaft
Unterschleißheim
Consolidated Income Statement (IAS)
for the period January 1 to December 31, 2002

Income Statement	Note	€	Dec. 31, 2002 €	Dec. 31, 2001 € thousands
1. Interest income	(51)	1.887.956,92		3.162
2. Interest expense	(51)	-1.267.549,57		-3.543
3. Net interest income (expense)	(51)		620.407,35	-381
4. Allowance for losses on loans and advances	(9, 52)		-7.071.107,53	0
5. Net interest expense after allowance for losses on loans and advances			-6.450.700,18	-381
6. Fee and commission income	(53)	6.470.997,56		13.299
7. Fee and commission expense	(53)	-9.364.966,13		-17.042
8. Net fee and commission income (expense)	(53)		-2.893.968,57	-3.743
9. Net trading income	(54)		15.996.069,77	40.143
10. Net income (loss) from available-for-sale financial instrument	(55)		-17.791.750,68	-34.573
11. Net income (loss) from investment securities	(56)		335.028,38	439
12. Administrative expenses	(57)		-40.375.072,12	-45.950
13. Profit (loss) from operations			-51.180.393,40	-44.065
14. Other operating income	(58)		6.448.752,81	3.170
15. Other operating expenses	(58)		-8.375.646,20	-75.299
16. Profit (loss) from ordinary activities			-53.107.286,79	-116.194
17. Income taxes on profit (loss) from ordinary activities	59)		-21.855.963,55	47.305
18. Net profit (loss) for the period before minority interest			-74.963.250,34	-68.889
19. Minority interest in net profit (loss)			587.125,63	994
20. Net profit (loss) for the period			-74.376.124,71	-67.895
21. Accumulated profits (losses) brought forward			-55.038,43	-974
22. Withdrawals from share premium			69.154.325,62	0
23. Withdrawals from retained earnings a) from other retained earnings			5.862.657,46	68.869
24. Appropriation to retained earnings a) to other retained earnings			585.819,94	0
25. Consolidated net profit (loss)			0,00	0

The consolidated net profit corresponds to the unappropriated surplus of Baader Wertpapierhandelsbank AG.

			2002 €	2001 €
Earnings per share	(60)		-3,26	-3,20

Statement of Changes in Equity

The following overview illustrates the changes in equity in the Baader Wertpapierhandelsbank Group:

	Issued capital	Share premium	Retained earnings	Revaluation reserves	Consolidated net profit	Equity
Equity as of Dec. 31, 2000	**20,875,900.00**	**139,439,133.59**	**78,117,732.60**	**3,303,247.89**	**5,963,255.55**	**247,699,269.63**
Adjustments from appropriation of profits for 2000		-270,527.42	-1,322,564.43		-5,963,255.55	-7,556,347.40
Non-cash capital increases	+1,897,341.00	+8,637,134.73				+10,534,475.73
Sale of treasury shares	+142,000.00	+2,352,940.00				+2,494,940.00
Change in revaluation reserve				-3,747,451.70		-3,747,451.70
Change in deferred taxes				+1,633,888.95		+1,633,888.95
Currency translation		+366,705.07				+366,705.07
Other changes in equity			-1,743,976.63			-1,743,976.63
Consolidated net loss					-67,895,314.11	-67,895,314.11
Loss carry forward					-973,408.09	-973,408.09
Withdrawal from reserves			-68,868,722.20		+68,868,722.20	0.00
Equity as of Dec. 31, 2001	**22,915,241.00**	**150,525,385.97**	**6,182,469.34**	**1,189,685.14**	**0.00**	**180,812,781.45**
Adjustments from appropriation of profits for 2001		+785,796.80	+339,480.84			+1,125,277.64
Adjustments due to deconsolidation		+1,375,000.00	+585,819.94		-585,819.94	+1,375,000.00
Purchase of treasury shares	-306,332.00	-929,910.74				-1,236,242.74
Change in revaluation reserve				-1,010,103.29		-1,010,103.29
Change in deferred taxes				+497,566.94		+497,566.94
Other changes in equity		+181,541.90	-1,245,112.66			-1,063,570.76
Consolidated net loss					-74,376,124.71	-74,376,124.71
Loss carry forward					-55,038.43	-55,038.43
Withdrawal from reserves		-69,154,325.62	-5,862,657.46		+75,016,983.08	0.00
Equity as of Dec. 31, 2002	**22,608,909.00**	**82,783,488.31**	**0.00**	**677,148.79**	**0.00**	**106,069,546.10**

Cash Flow Statement

			2002 € thousands	2001 € thousands
1.		**Loss before extraordinary items (incl. minority interests in net loss)**	**-74,376**	**-67,895**
2.		Depreciation, write-downs and write-ups on receivables, property and equipment, and investment securities	6,806	3,966
3.		Change in provisions	1,146	6,761
4.		Other non-cash income/expense	5,816	67,999
5.		Gains/losses on disposal of property and equipment, and investment securities	-879	-139
6.		Other adjustments (net)	-4,296	-309
7.	**=**	**Subtotal**	**-65,783**	**10,383**
8.		Loans and advances		
		Loans and advances to banks	-3,652	-3,824
		Loans and advances customers	763	-261
9.		Securities (excl. investment securities)	18,222	182,997
10.		Other operating assets	27,046	-26,670
11.		Due to customers		
		Deposits from other banks	13,096	0
		Amounts due to customers	11	-78
12.		Other operating liabilities	-7,041	-26,507
13.		Interest and dividends received	5,015	4,851
14.		Interest paid	-1,267	-3,543
15.		Income taxes paid	-39	-1,993
16.	**=**	**Cash flows from operating activities**	**-13,629**	**135,355**
17.		Proceeds from disposals		
		Disposals of investment securities	23,650	7,987
		Disposals of property and equipment	124	316
18.		Acquisitions		
		Payments to acquire investment securities	-1,377	-29,739
		Payments to acquire fixed assets	-17,113	-11,248
19.		Payments to acquire consolidated companies and other business units	-325	-11,552
20.	**=**	**Cash flows from investing activities**	**4,959**	**-44,236**
21.		Proceeds from capital increases	0	13,029
22.		Dividends paid	0	-10,798
23.		Other payments	-1,236	0
24.	**=**	**Cash flows from financing activities**	**-1,236**	**2,231**
25.		Net change in cash and cash equivalents (total of 16, 20, 24)	-9,906	93,350
26.		Effect of exchange rate changes and changes in group structure on cash and cash equivalents	-1,072	-7
27.		Cash and cash equivalents at beginning of period	26,573	-66,770
28.	=	Cash and cash equivalents at end of period	15,595	26,573
		Composition of cash and cash equivalents at Dec. 31, 2002		
		Loans and advances to banks – due on sight	17,513	76,073
		Demand deposits from other banks	-1,918	-49,500

The cash flow statement presents the composition of, and changes in, cash and cash equivalents during the year. It is classified by cash flows from operating, investing and financing activities. The objective of this classification is to illustrate how cash and cash equivalents are generated in the Group and used in the year under review.

Cash flows from operating activities relate to all transactions that cannot be directly attributed to investing and financing activities. The transactions presented here result in particular from the Group's operating business. The changes in loans and advances to other banks presented here do not include amounts payable on demand.

Cash flows from investing activities illustrate the application of funds in the Group. They provide information on how cash and cash equivalents are used to generate future performance and profit. The transactions presented here relate to investments in, and disposals of, investment securities and property and equipment. The purchase price payments for the acquisition of subsidiaries to be consolidated were fully settled in cash.

Cash flows from financing activities present all payments relating to equity and shareholders.

Cash and cash equivalents are composed of the cash reserve, which consists only of cash on hand, loans and advances to banks due on sight, and demand deposits from other banks.

The other non-cash income and expenses include goodwill amortization and write-downs, accumulated interest on investment securities and net gains on the remeasurement of assets held for trading. Other adjustments is an adjustment item for interest, dividends, income tax payments and minority interest in net loss, which are reported separately.

SEGMENT REPORTING

Segment reporting in the consolidated financial statements of Baader Wertpapierhandelsbank AG for the year ended December 31, 2002 is classified by business segments (primary reporting format) and geographical segments (secondary reporting format).

Three sub-activities can be defined as the Group's primary business segments: specialist activities and proprietary trading, agency business, and the issues and investment business. The "Others/Consolidation" column reports movements that do not relate directly to the three primary segments or that are not attributable to operating activities.

The specialist activities and proprietary trading business segment is as follows: at the balance sheet date December 31, 2002, the Group was specialist for 4,291 primarily foreign equities, 110 profit participation certificates, 357 bonds and 2,154 warrants. The task of the specialist is to determine quotations for the securities he makes markets in, if necessary, to ensure additional liquidity through proprietary trading.

In the agency business, the Group acts as an agent between German and foreign banks and financial services institutions for all securities quoted on a German stock exchange. The Company receives fees and commissions for its agency activities. Trades are exclusively settled via a bank.

For its issues business, the Group places securities with banks under its own name and for own account, in certain cases through an underwriting syndicate. In addition, the Baader Group offers services and consulting to companies in all aspects of the capital markets and for the implementation of equity transactions.

In its investment business, Baader invests in listed and unlisted corporations domiciled in Germany and other countries.

The Company's subsidiary Baader Sec. a.s., domiciled in Prague, was deconsolidated with effect from December 31, 2002. The income and expenses this company incurred during the fiscal year are disclosed in the segment report. No risk capital was disclosed due to the deconsolidation at the balance sheet date.

Fiscal year 2002	Specialist activities and proprietary trading	Agency business	Issues and equity investments	Others/ Consolidation	Group
Net interest income	378,411.74	224,003.12	17,992.49	0.00	620,407.35
Allowance for losses on loans and advances	0.00	0.00	-7,071,107.53	0.00	-7,071,107.53
Net interest income/expense after allowance for losses on loans and advances	378,411.74	224,003.12	-7,053,115.04	0.00	-6,450,700.18
Net fee and commission income/expense	-3,292,636.66	-26,444.71	425,112.80	0.00	-2,893,968.57
Net trading income	13,848,182.51	2,147,887.26	0.00	0.00	15,996,069.77
Net income/loss from available-for-sale financial instruments	72,295.48	952,477.03	-16,635,760.29	-2,180,762.90	-17,791,750.68
Net income from investment securities	335,028.38	0.00	0.00	0.00	335,028.38
Administrative expenses	-31,135,993.23	-5,941,756.90	-3,334,321.99	37,000.00	-40,375,072.12
Other operating income, net	1,188,077.21	18,526.49	2,379,941.61	-5,513,438.70	-1,926,893.39
Net loss before taxes	**-18,606,634.57**	**-2,625,307.71**	**-24,218,142.91**	**-7,657,201.60**	**-53,107,286.79**
Segment assets (thousands of €)	55,341	8,665	19,221	30,312	113,539
Segment liabilities (thousands of €)	24,477	1,791	4,477	5,632	36,377
Risk-weighted assets (thousands of €)	3,362	2,526	93,990	0	99,878
Allocated capital (thousands of €)	26,160	9,240	80,061	0	115,461
Return on allocated capital based on income before taxes	-71.13%	-28.41%	-30.25%		-46.0%
Average number of employees in the year*	112	25	10	53	200

Segment reporting for the previous year is as follows:

Fiscal year 2001	Specialist activities and proprietary trading	Agency business	Issues and equity investments	Others/ Consolidation	Group
Net interest income	-891,151.87	454,281.87	55,848.35	0.00	-381,021.65
Allowance for losses on loans and advances	0.00	0.00	0.00	0.00	0.00
Net interest income/expense after allowance for possible loan losses	-891,151.87	454,281.87	55,848.35	0.00	-381,021.65
Net fee and commission income/expense	-6,794,658.95	2,560,435.79	490,765.31	0.00	-3,743,457.85
Net trading income	38,241,970.72	1,901,026.16	180,66	0.00	40,143,177.54
Net income/loss from available-for-sale financial instruments	11,690.06	1,058,401.97	-34,403,375.49	-1,239,403.07	-34,572,686.53
Net income from investment securities	436,644.20	0.00	2,663.87	0.00	439,308.07
Administrative expenses	-35,312,190.61	-5,427,493.97	-5,210,856.77	0.00	-45,950,541.35
Other operating income, net	107,702.58	24,933.87	-5,963,584.25	-66,297,644,.71	-72,128,592.51
Net profit/loss before taxes	**-4,199,993.87**	**571,585.69**	**-45,028,358.32**	**-67,537,047.78**	**-116,193,814.28**
Segment assets (thousands of €)	128,231	14,049	39,371	20,567	202,218
Segment liabilities (thousands of €)	54,122	92	50	18,172	72,436
Risk-weighted assets (thousands of €)	3,141	5,192	140,652	0	148,985
Allocated capital (thousands of €)	30,015	9,235	122,525	0	161,775
Return on allocated capital based on income before taxes	-14.0%	6.2%	-36.8%		-71.8%
Average number of employees in the year*	136	27	12	46	221

The allocated capital disclosed in the segment reporting corresponds to the allocated regulatory liable capital in accordance with section 10 (2) sentence 2 of the KWG. In this context, the equity of Baader Wertpapierhandelsbank AG and its subsidiaries was aggregated to form consolidated equity.

The Group's secondary segment reporting, broken down by geographical markets, produces the following picture: the allocation criterion is the domicile of the Group company:

	Germany		Czech Republic		Consolidation		Group	
	2002	2001	2002	2001	2002	2001	2002	2001
Net interest income/expense afterallowance for losses on loans and advances	-6,474,487.63	-418,695.05	23,787.45	37,673.40	0.00	0.00	-6,450,700.18	-381,021.65
Net fee and commission income/expense	-3,026,666.02	-4,083,670.77	132,697.45	340,212.92	0.00	0.00	-2,893,968.57	-3,743,457.85
Net trading income	16,023,667.23	40,235,685.70	-27,597.46	-92,508.16	0.00	0.00	15,996,069.77	40,143,177.54
Net income/loss from available-for-sale financial instruments	-15,610,987.78	-33,333,283.46	0.00	0.00	-2,180,762.90	-1,239,403.07	-17,791,750.68	-34,572,686.53
Net income from investment securities	335,028.38	439,308.07	0.00	0.00	0.00	0.00	335,028.38	439,308.07
Administrative expenses	-39,646,102.81	-45,106,783.45	-765,969.31	-843,757.90	37,000.00	0.00	-40,375,072.12	-45,950,541.35
Other operating income, net	3,548,351.53	-5,871,597.09	38,193.78	40,649.29	-5,513,438.70	-66,297,644.71	-1,926,893.39	-72,128,592.51
Net loss before taxes	**-44,851,197.10**	**-48,139,036.05**	**-598,888.09**	**-517,730.45**	**-7,657,201.60**	**-67,537,047.78**	**-53,107,286.79**	**-116,193,814.28**
Risk-weighted assets (thousands of €)	99,878	148,167	0	818			99,878	148,985

NOTES

INFORMATION ON THE COMPANY

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The Company is registered in the commercial register of Munich Local Court under the number HRB 121537.

Purpose of the reporting entity

The purpose of the Company is the provision of securities services, in particular
- the underwriting of financial instruments at own risk for placement, or the assumption of equivalent guarantees (issue business),
- the arrangement of transactions for the acquisition and sale of financial instruments or their documentation (investment brokerage),
- the acquisition and sale of financial instruments under third-party name and for third-party account (trade brokerage) and
- the acquisition and sale of financial instruments by way of proprietary trading for third parties (proprietary trading).
- the acquisition and sale of financial instruments under own name for third-party account (financial commission business).

The Company is entitled to undertake all measures and transactions designed to promote its purpose. These also include the establishment of branches and other companies, and investments in such branches and companies in Germany and other countries.

Declaration of compliance in accordance with section 161 of the AktG and section 285 no. 16 of the HGB

The Executive Board and Supervisory Board of Baader Wertpapierhandelsbank AG hereby declare that the Company complies with the recommendations of the “Government Commission on the German Corporate Governance Code” (DCG) published by the Federal Ministry of Justice in the official section of the electronic *Bundesanzeiger* (Federal Gazette). The Company’s declaration of compliance was published in Issue 242 of the *Bundesanzeiger* on December 31, 2002 and can be accessed on the Company’s Web site.

Accounting policies

(1) Basis of accounting

In compliance with Directives 83/349/EEC (Group Accounts Directive) and 86/635/EEC (Bank Accounts Directive), the consolidated financial statements of Baader Wertpapierhandelsbank AG were prepared in accordance with the International Accounting Standards/International Financial Reporting Standards (IASs/IFRSs) issued and published by the International Accounting Standards Board (IASB), as interpreted by the International Financial Reporting Interpretations Committee (IFRIC). The consolidated financial statements are based on the standards issued by the *Deutscher Standardisierungsrat* (German Standardization Committee – DSR) and published by the Federal Ministry of Justice in accordance with section 342 (2) of the HGB (German Commercial Code). Note (2) contains an overview of the standards applied.
The consolidated financial statements for the year ended December 31, 2002 have been prepared on a going concern basis. In accordance with section 292(a) of the HGB, these consolidated financial statements exempt the Company from the requirement to prepare consolidated financial statements under German law.
The accounting and reporting objectives of the IASs/IFRSs differ from those of the HGB, which are geared towards the principles of prudence and creditor protection. The main thrust of the IASs is to satisfy the information needs of a wide range of users, and in particular investors, to enable them to make decisions ("decision-usefulness"). Under the IASs/IFRSs, the primary objective of financial statements is to provide information that is useful in making economic decisions. The main differences in the recognition and measurement standards are discussed elsewhere in the Annual Report.
The economic development and risk analysis of the Group are presented separately in the group management report and the group risk report.
All amounts in the accompanying financial statements are reported in euros. The balance sheet date is December 31, 2002. The fiscal year is the calendar year.

(2) Standards applied

Accounting at the Baader Group is based on all the standards issued and published by the IASB at the balance sheet date.

The following International Accounting Standards were relevant to the preparation of the consolidated financial statements for the year ended December 31, 2002:

IAS 1	Presentation of Financial Statements
IAS 7	Cash Flow Statements
IAS 8	Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies
IAS 10	Events After the Balance Sheet Date
IAS 12	Income Taxes
IAS 14	Segment Reporting
IAS 16	Property, Plant and Equipment
IAS 17	Leases
IAS 18	Revenue
IAS 19	Employee Benefits

IAS 21	The Effects of Changes in Foreign Exchange Rates
IAS 22	Business Combinations
IAS 23	Borrowing Costs
IAS 24	Related Party Disclosures
IAS 26	Accounting and Reporting by Defined Benefit Plans
IAS 27	Consolidated Financial Statements and Accounting for Investments in Subsidiaries
IAS 28	Accounting for Investments in Associates
IAS 30	Disclosures in the Financial Statements of Banks and Similar Financial Institutions
IAS 32	Financial Instruments: Disclosure and Presentation
IAS 33	Earnings Per Share
IAS 35	Discontinuing Operations
IAS 36	Impairment of Assets
IAS 37	Provisions, Contingent Liabilities and Contingent Assets
IAS 38	Intangible Assets
IAS 39	Financial Instruments: Recognition and Measurement

In addition to these standards, the following interpretations were applied in the preparation of the consolidated financial statements:

SIC 16	Share capital – reacquired own equity instruments (treasury shares)	(IAS 32)
SIC 18	Consistency – alternative methods	(IAS 1)

Furthermore, the following German Accounting Standards (GASs) issued by the German Standardization Committee (DSR) and published by the Federal Ministry of Justice in accordance with section 342 (2) of the HGB which applied to the Group were complied with:

GAS 1	Exempting Consolidated Financial Statements in Accordance with Section 292a of Commercial Code
GAS 2	Cash Flow Statements
GAS 2-10	Cash Flow Statements of Financial Institutions
GAS 3	Segment Reporting
GAS 3-10	Segment Reporting for Banks
GAS 4	Acquisition Accounting in Consolidated Financial Statements
GAS 5	Risk Reporting
GAS 5-10	Risk Reporting by Financial Institutions and Financial Service Institutions
GAS 7	Group Equity and Total Recognized Results
GAS 8	Accounting for Investments in Associated Enterprises
GAS 10	Deferred Taxes in Consolidated Financial Statements

(3) Uniform Group accounting principles

All companies in the Group prepared their single-entity financial statements as of the balance sheet date December 31, 2002. Accounting in the Baader Group is performed on the basis of uniform accounting policies in accordance with IAS 27.

(4) Consolidation methods

Capital consolidation uses the purchase method described in IAS 22, with consolidation being performed using the proposed benchmark method. This requires recognition at the date of acquisition of the fair values of the identifiable assets and liabilities of the company being acquired in proportion to the interest acquired. During the course of capital consolidation, the acquisition costs of the interests acquired are eliminated against the acquirer's interest in the equity of the subsidiary resulting from the measurement of the assets and liabilities at their fair values at the time of acquisition. Any remaining excess of acquisition cost over net assets acquired is recognized as goodwill and reduced by straight-line amortization over its useful life. If there is indication of probable lasting impairment, the need for a write-down is determined by establishing the lower of cost or market. Depending on its nature, negative goodwill is either immediately recognized as income or recognized as income on a systematic basis over the remaining weighted average useful life of the identifiable acquired depreciable/amortizable assets. Minority interests are recognized in the amount of the carrying amounts determined using uniform Group accounting and measurement principles. Minority interests include the interests of non-Group shareholders in the issued capital, reserves and net profit or loss.

Subsidiaries are consolidated from the date on which the Group acquires effective control. Companies are deconsolidated in the event of a sale or a concrete intention to sell, or in the event that Baader Wertpapierhandelsbank AG no longer has a controlling influence.

Any net profit or loss acquired that is required to be consolidated is eliminated by means of an adjustment item in the income statement. Depending on the nature of the net profit or loss acquired, the adjustment item is a component of other operating income or other operating expenses.

If a company to be fully consolidated is consolidated for the first time as of the balance sheet date in the year under review, the items of the income statement are consolidated for the full year; if first-time consolidation is not performed as of the balance sheet date, the income statement items are recognized ratably in the consolidated financial statements as of the date of first-time consolidation.

Investments in subsidiaries that are not consolidated for reasons of materiality are carried at cost under available-for-sale financial instruments.

Receivables and liabilities, as well as income and expenses resulting from business relationships between consolidated companies, are eliminated on the basis of intercompany balances or expense and income consolidation; any interim results in the Group are eliminated to the extent that they are not immaterial.

Impairment losses charged on investments in consolidated subsidiaries are recognized in the consolidated net profit or loss.

Associated companies are recognized using the equity method of accounting and disclosed separately on the balance sheet under "investments in companies carried at equity". The proportionate equity of the associate is offset against the carrying amount of the corresponding investment at the time of first-time consolidation. Any resulting difference (goodwill) is stated in the Notes. The carrying amount of the investment is adjusted in subsequent periods.

(5) Consolidated companies

In addition to Baader Wertpapierhandelsbank AG, three German subsidiaries in which Baader Wertpapierhandelsbank AG holds a direct interest of more than 50% are included in the

consolidated financial statements as of December 31, 2002. One of these consolidated companies is a financial services institution.
Two subsidiaries are not consolidated because they are immaterial to the presentation of a true and fair view of the net assets, financial position and results of operations of the Group. The foreign subsidiary Baader Securities a.s., Prague, was sold subject to a condition precedent and has therefore been deconsolidated. The subsidiaries are carried at amortized cost under available-for-sale financial instruments. Investments in unconsolidated subsidiaries account for a mere 1.1% of total consolidated assets.

The following companies are fully consolidated:

- Baader Securities AG, Frankfurt/Main
- KST Wertpapierhandels AG, Stuttgart
- IPO GmbH, Unterschleißheim

Baader Securities AG (formerly Eckes Effektenhandel AG) is a wholly owned subsidiary of Baader Wertpapierhandelsbank AG with which the Company has signed a profit pooling agreement. The purpose of this company is to arrange transactions for the acquisition and sale of financial instruments or their documentation (investment brokerage), the acquisition and sale of financial instruments under third-party name and for third-party account (trade brokerage) and the acquisition and sale of financial instruments by way of proprietary trading for third parties (proprietary trading).

The interest held by Baader Wertpapierhandelsbank AG in the equity of KST Wertpapierhandels AG amounted to 87.01% as of December 31, 2002. The Bank’s General Meeting on December 20, 2002 resolved to liquidate the company. KST Wertpapierhandels AG is therefore being wound up and returned its license to act as a financial services institution with effect from December 31, 2002.

IPO GmbH is a wholly owned subsidiary of Baader Wertpapierhandelsbank AG. A control and profit pooling agreement has been concluded with the Company. The purpose of the company is asset management of all kinds, in particular the acquisition and management of investments in companies in preparation for IPOs as well as the management of its own assets.

Baader Securities a.s., domiciled in Prague, is a wholly owned subsidiary of Baader Wertpapierhandelsbank AG.
The company was sold subject to a condition precedent and deconsolidated. The sale is expected to be concluded in the first quarter of fiscal year 2003.

The wholly owned subsidiary Baader Management AG, Munich, is not consolidated because it is immaterial for the presentation of a true and fair view of the net assets, financial position and results of operations of the Group.
The purpose of Baader Management AG is to provide management services at and for other companies, to manage own and third-party assets and to invest in other companies for the purpose of assuming the management and representation of these companies, with the exception of activities regulated by the *Kreditwesengesetz* (German Banking Act).

Webstock AG, Unterschleißheim, is not consolidated. The business operations of Webstock AG were discontinued in 2001. The company is currently in liquidation.

A 50% interest in Heins & Seitz Capital Management GmbH was acquired in December 2002. The company was consolidated as an associate on the basis of the equity method of accounting. The purpose of the company is the purchase and sale of real estate, the arrangement of real estate and financing, the management of investments in real property, the brokerage of securities and debt securities, the brokerage of deposit-taking operations and repurchase agreements and the brokerage of equity interests.

In fiscal year 2002, € 325 thousand was used for the purchase of interests in subsidiaries and € 1,027 thousand for the purchase of interests in associates.

(6) Currency translation

After considering cost/benefit aspects, the annual financial statements of the subsidiary in the Czech Republic were translated at the mean rate at the balance sheet date. Resulting exchange rate differences were taken directly to the reserves when the aggregated balance sheet of all companies included in consolidation adjusted for uniform Group accounting policies prior to consolidation was being prepared.

(7) Cash reserve

Cash reserve holdings – consisting solely of cash on hand – are carried at their nominal amount in accordance with IAS 39.

(8) Loans and advances

Loans and advances to other banks and to customers are carried at their principal amount. Loans and advances to other banks consist only of transactions entered into in the course of ordinary banking operations. Loans and advances to other banks not related to ordinary banking operations are recorded under other assets.

(9) Allowance for losses on loans and advances

The allowance for losses on loans and advances deducted from the loans and advances under assets includes all write-downs and other valuation allowances on loans and advances subject to identifiable credit and country risks. Appropriate allowances for these risks are charged in accordance with the principle of business prudence. An assessment of the amount in which the agreed payments will actually be made is the decisive factor used to measure this item.
The Group does not perform any lending business as defined by section 1 (1) no. 2 of the Banking Act.

(10) Trading assets

Trading assets consist of listed equities and bonds that are carried at their fair values in the balance sheet in accordance with IAS 39. The securities transactions are disclosed on the balance sheet and the income statement in line with the trade date accounting method. According to this, the securities are reported on the balance sheet at their fair values at the transaction date. Entries relating to the securities portfolio are made on the night following the conclusion of the transaction. The securities trading portfolio is measured at the balance sheet date on the basis of the quoted market prices on the most recent trading day, after adjustment for necessary write-downs, provisions and hidden reserves. Downside risks from long or short positions open at the balance sheet date are recognized in income. Upside price potential from long or short positions open at the balance sheet date is included in the measurement of the net trading income. All realized and unrealized gains and losses arising in relation to trading assets are therefore recognized in net trading income.

(11) Available-for-sale financial instruments

Available-for-sale financial instruments are composed of bonds and debt securities, equities and other non-fixed-interest securities, investments in other investees, investments in unconsolidated subsidiaries and other equity investments. Accounting and reporting for these items is performed on the basis of IAS 39.
The securities are measured at cost at the date of acquisition. During the course of subsequent measurement, bonds and debt securities, shares and other non-fixed-interest securities, investments and other equity investments are measured at their fair values. Where a quoted market price is available for the securities, this is taken as the fair value. Measurement is based on the quoted market prices on the most recent trading day. Unlisted securities are measured on the basis of expected future cash flows at the balance sheet date. Unconsolidated affiliates are carried at cost.
The carrying amount is written down to the fair value in the event of probable lasting impairment. If the reasons for impairment no longer apply, the impairment loss is reversed and recognized in the net profit or loss.
Amounts resulting from the measurement of securities at fair value resulting from fluctuations in the fair value that do not display any lasting impairment are not recognized in profit or loss, but are taken directly to the revaluation reserve in equity. These amounts are not recognized in the net profit or loss until the date when the relevant securities are sold, or until an impairment loss is charged.
All other income and expenses arising in conjunction with the securities carried under this item are credited or charged to the net income from available-for-sale financial instruments.

(12) Investment securities

The Group’s investment securities consist of bonds and other fixed-interest securities. They are carried at cost and are written down to their fair values in the event of probable lasting impairment. The discounted future cash flows expected are used to calculate the recoverable amount. Impairment losses are reversed if the reasons for impairment no longer apply. Interest income and write-downs are recognized in net income from investment securities.

(13) Property and equipment

Property and equipment is carried at amortized cost. Depreciation is charged on a straight-line basis over the useful life of the asset concerned.

	Standard useful life in years
IT/Telecommunications	3-8
Vehicles	6
Other operating and office equipment	5-13
Buildings	25
Fixtures and fittings	5-19

Write-downs are charged in the event of probable lasting impairment. Depreciation and write-downs on property and equipment are reported under administrative expenses. Gains or losses on the sale of items of property and equipment are recorded under other operating income or other operating expenses.
For reasons of materiality, low-value items of property and equipment acquired are recognized in administrative expenses in the year under review.
Investment property is carried at cost and is not depreciated.

(14) Intangible assets

Intangible assets relate to other purchased intangible assets, which are composed primarily of purchased software licenses. They are carried at cost and reduced by straight-line amortization. Write-downs are charged in the event of probable lasting impairment. Gains or losses from the sale of intangible assets are recognized under other operating income or other operating expenses.

Amortization and write-downs are disclosed under administrative expenses.

	Standard useful life in years
Acquired rights of use	5
Trademarks	10
Software	5-10

(15) Goodwill

Goodwill is the difference from capital consolidation and is reduced by straight-line amortization over the expected useful life. As a rule, a useful life of fifteen years is assumed. Goodwill is regularly tested for impairment. If an impairment has occurred, the goodwill is written down.
Provided that it is not material, goodwill is reported under intangible assets, while goodwill amortization and write-downs are reported under other operating expenses.

(16) Liabilities

Liabilities are carried at their redemption or nominal amount.

(17) Provisions

Provisions include provisions for pensions and other employee benefits, as well as other provisions.
Provisions for pensions and other employee benefits are set up using the projected unit credit method on the basis of actuarial principles. The provisions are recomputed at each balance sheet date to recognize any changes in the underlying commitments and changes in the actuarial assumptions.
Other provisions are recognized for uncertain obligations to third parties and on onerous contracts where the timing or amount of the liability is uncertain, but where there is an obligation at the balance sheet date that arises from a past event and whose settlement is expected to result in an outflow of resources embodying economic benefits.
Provisions for restructuring measures are also reported under other provisions. These provisions are established on the basis of a plan agreed on with the business segments in question.

(18) Deferred taxes

Deferred taxes are recognized for temporary differences resulting from application of the balance sheet liability method. Under this method, the carrying amounts of assets and liabilities in the financial accounts are compared with the carrying amounts in the Group company’s tax base. Differences between these carrying amounts result in temporary differences, for which deferred tax assets or deferred tax liabilities must be recognized. The time at which the difference will reverse is irrelevant. Computation of deferred taxes is based on the tax rates expected to be enacted at the time when the difference will reverse. Deferred tax assets are recognized when it is probable that the future tax benefit can actually be realized. Discounts are used to adjust the uncertainty surrounding the future use of tax benefits.

(19) Treasury shares

Treasury shares held in the Group are carried at cost and deducted from equity. The portion of the acquisition cost accounted for by the notional amount is deducted from the issued capital;

the premium is eliminated against the share premium. Gains and losses from trading in treasury shares are credited or charged directly to the share premium.

(20) Stock option plan

Baader Wertpapierhandelsbank AG grants the members of the Executive Board and the Group's employees performance-related remuneration in the form of stock options. Under the stock option plan, stock options were issued for the first time after the end of fiscal year 1999. The stock option plan has a term of five years. During this period, a maximum of 600,000 stock options can be issued. These are distributed on the basis of a defined allocation key.
The annual tranches and the volume of the stock options to be issued are defined by the Supervisory Board or Executive Board of Baader Wertpapierhandelsbank AG, depending on the beneficiary concerned. Stock options may only be issued during a period of six weeks following the announcement of the results for the past fiscal year at the annual financials press conference. The stock options are non-transferable.
Exercise of the options is subject to a lock-up of two years from the date of grant. Once the lock-up has expired, the options may be exercised during the following five years within a four-week period following publication of a quarterly report.
The exercise price corresponds to the average closing price of Baader Wertpapierhandelsbank AG shares in floor trading on the Bavarian Stock Exchange during the five trading days prior to the issue date of the stock options, but no less than the notional value of one share of Baader Wertpapierhandelsbank AG. The stock options may only be exercised if Baader Wertpapierhandelsbank AG shares outperform the DAX 100 Banks by at least 15% on five consecutive trading days since the issue date of the stock options. This percentage rate applies to the first year of the exercise period and rises by half a percentage point in each of the second and subsequent years of the exercise period. The closing price in floor trading on the Bavarian Stock Exchange is deemed to be the price of Baader Wertpapierhandelsbank AG shares.
The stock option plan had no effects on the balance sheet and income statement for fiscal year 2002.

	2001	**2000**	**1999**	**Total**
Options issued	258,900	120,191	120,000	499,091
Exercise price	4.28	10.60	40.35	
Expired	34,200	29,689	34,500	98,389
Waived	0	0	85,500	85,500
Total distributed	**224,700**	**90,502**	**0**	**315,202**

The beneficiaries of Baader Wertpapierhandelsbank AG's stock option plan waived their right to 85,500 stock options issued in 1999 at a price of € 40.35 each and we reallocated these shares in 2001 at a price of € 4.28 each.

Significant differences in accounting methods: IASs/IFRSs compared with HGB

The consolidated financial statements of Baader Wertpapierhandelsbank AG have been prepared in accordance with the International Accounting Standards/International Financial Reporting Standards (IASs/IFRSs). The IASs/IFRSs differ in certain respects from German principles of proper accounting. Significant differences are explained below in accordance with section 292(a) of the HGB.

(21) Allowance for losses on loans and advances

The allowance for losses on loans and advances is reported as a separate line item on the face of the balance sheet beneath loans and advances. This enhances the transparency of the Group's risk policy.

(22) Securities

Under the IASs/IFRSs, securities are classified into three categories: assets held for trading, available-for-sale financial instruments and investment securities.
Assets held for trading are carried at their fair values. Among other things, this results in the recognition of earnings components that are classified by German law as unrealized gains. All gains and losses from the remeasurement of assets held for trading are recognized in profit and loss.
Investment securities (held-to-maturity investments) are all securities that do not serve to generate short-term profits, that have a fixed maturity and that generate fixed or determinable payments. As with the HGB, they are measured at cost.
All other securities are classified as available-for-sale financial instruments, and include liquidity reserve securities, securities in the issuing portfolio, investments in other investees, associates not carried at equity and unconsolidated affiliates. With the exception of the unconsolidated affiliates, which are carried at cost, all other securities in this category are measured at their fair values. Gains from fair value measurement are credited directly to the revaluation reserve in equity and recognized in income only when the corresponding securities are sold.

(23) Property and equipment and intangible assets

Carrying amounts on the basis of tax rules are not recognized under the IASs/IFRSs. As a result, the carrying amounts of property and equipment are generally higher than in the HGB financial statements. Depreciation and amortization in the IAS/IFRS financial statements must be computed on the basis of the actual useful life.
Goodwill arising from the acquisition of subsidiaries is recognized as an asset under the IASs/IFRSs. The IASs/IFRSs do not provide for an option of crediting or charging goodwill to the reserves, as set out in section 309 (1) sentence 3 of the HGB. Goodwill is reported under intangible assets or, if material, in a separate line item. It is amortized to income over its useful life.

(24) Treasury shares

The HGB requires treasury shares ("own shares") to be capitalized, with the simultaneous recognition of a reserve for own shares. Under the IASs/IFRSs, treasury shares held in the Group are deducted from equity on the face of the balance sheet; in contrast to the HGB, no measurement is performed. Gains or losses resulting from trading in treasury shares are credited or charged directly to equity. In the HGB financial statements, gains and losses from trading in treasury shares are recognized in net trading income.

(25) Trust activities

Under the IASs/IFRSs, trust activities are not recognized on the balance sheet, in contrast to the HGB financial statements (in accordance with section 6 of the RechKredV (German Bank Accounting Regulation)).

(26) Provisions for pensions

Forecasted salary and pension trends are included in the actuarial computation of provisions for pensions. Adjustments to current pension payments are accrued and are not immediately deducted in full. In addition, market interest rates are applied to the computation of discount rates. Recognition and measurement of provisions for pensions in the HGB financial statements is governed by tax rules.

(27) Other provisions

With the exception of provisions for restructuring costs, recognition of the provisions for future internal expenses allowed under the HGB is prohibited by the IASs/IFRSs.

(28) Deferred taxes

Deferred taxes in the IAS financial statements are recognized for temporary differences resulting from application of the balance sheet liability method. Under this method, the carrying amounts of the individual assets and liabilities in the financial accounts are compared with their tax base. Differences between these carrying amounts result in temporary differences, for which deferred tax assets or deferred tax liabilities are recognized, irrespective of the time at which the differences will reverse. There is also a requirement to recognize deferred tax assets and liabilities, except that deferred tax assets may only be recognized if it is probable that the future tax benefit can actually be realized. This requirement to recognize deferred tax assets also applies to existing tax loss carryforwards on the assumption of the going concern principle.

(29) Recognition of items due to tax rules

In contrast to the HGB, the IASs/IFRSs do not permit the recognition or write-down of items due to tax rules.

(30) Minority interest

Minority interests are reported in a separate "Minority interest" item under liabilities and shareholders' equity. In the HGB financial statements, minority interests are allocated to the equity item.

Notes to the balance sheet

(31) Cash reserve

The cash reserve is composed of the following items:

	Dec. 31, 2002	Dec. 31, 2001
Cash on hand	72.82	192.33
Total	**72.82**	**192.33**

(32) Loans and advances to other banks

	Dec. 31, 2002 Germany	Dec. 31, 2002 Other countries	Dec. 31, 2001 Germany	Dec. 31, 2001 Other countries
Payable on demand	17,512,906.44	6.14	75,635,093.34	437,410.48
Other loans and advances	10,465,946.78	0.00	6,814,120.50	0.00
			82,449,213.84	437,410.48
Allowance for losses on loans and advances	0.00	0.00	0.00	0.00
Total	**27,978,853.22**	**6.14**	**82,449,213.84**	**437,410.48**

Other receivables include accumulated interest amounting to € 45,137.23. The remaining maturities of the receivables from banks are presented in the maturity structure (Note (67)).

(33) Loans and advances to customers

	Dec. 31, 2002	Dec. 31, 2001
German customers	**7,268,579.67**	**978,381.26**
- Companies	7,129,197.63	802,034.12
- Private individuals	139,382.04	176,050.59
- Other	0.00	296.55
International customers	**20,471.49**	**2,282.36**
- Companies	20,471.49	2,113.50
- Private individuals	0.00	168.86
- Other	0.00	0.00
Allowance for losses on loans and advances	-7,241,961.06	-170,853.53
Total	**47,090.10**	**809,810.09**

The remaining maturities of the loans and advances to customers are presented in the maturity structure (Note (67)).

Baader Wertpapierhandelsbank AG has extended the following loans and advances to investees:

	Affiliated companies		Other investees	
	Dec. 31, 2002	Dec. 31, 2001	Dec. 31, 2002	Dec. 31, 2001
Loans and advances to customers	0.00	0.00	7,074,029.12	766,938.82
Total	**0.00**	**0.00**	**7,074,029.12**	**766,938.82**

Loans and advances to customers include loans and advances amounting to € 7,289 thousand for which no direct interest payments are made.

(34) Allowance for losses on loans and advances

The allowance for losses on loans and advances changed as follows:

	Credit risks		Country risks		Potential risks (general valuation allowances)		Total	
	2002	2001	2002	2001	2002	2001	2002	2001
Balance at Jan 1,	**170,853.53**	**170,853.53**	**0.00**	**0.00**	**0.00**	**0.00**	**170,853.53**	**170,853.53**
Additions	7,082,107.53	0.00	0.00	0.00	0.0	0.00	7,082,107.53	0.00
Disposals -								
- Utilization	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- Reversals	11,000.00	0.00	0.00	0.00	0.00	0.00	11,000.00	0.00
Balance at Dec. 31,	**7,241,961.06**	**170,853.53**	**0.00**	**0.00**	**0.00**	**0.00**	**7,241,961.06**	**170,853.53**

(35) Assets held for trading

The assets held for trading are composed of the following items:

	Dec. 31, 2002	Dec. 31, 2001
Bonds and other fixed-interest securities	151,236.86	338,908.36
thereof:		
negotiable securities	151,236.86	338,908.36
listed securities	151,236.86	338,908.36
Equities and other non-fixed-interest securities	18,574,571.54	30,063,537.65
thereof:		
negotiable securities	18,574,571.54	30,063,537.65
listed securities	18,574,571.54	30,063,537.65
Total	**18,725,808.40**	**30,402,446.01**

(36) Available-for-sale financial instruments

Available-for-sale assets include unconsolidated affiliated companies, investments in associates and other equities and bonds not allocated to the assets held for trading.

The following overview shows the composition of, and changes in, available-for-sale financial instruments:

	Investments in unconsolidated affiliated companies	Investments in associates	Equities and other non-fixed-interest securities	Bonds and debt securities	Other equity interests
Cost					
- Balance at Jan. 1, 2002	1,175,000.00	12,093,551.79	86,080,047.33	0.00	1,849,152.22
- Additions	1,375,000.00	342,032.64	8,875,821.65	10,664,567.83	0.00
- Reclassifications	0.00		0.00	0.00	0.00
- Disposals	0.00	120,962.97	35,749,480.11	0.00	0.00
- Balance at Dec. 31, 2002	2,550,000.00	12,314,621.46	59,206,388.87	10,664,567.83	1,849,152.22
Revaluation reserve					
- Balance at Jan. 1, 2002	0.00	2,109,370.81	613,962.76	0.00	0.00
- Balance at Dec. 31, 2002	0.00	1,099,267.52	480,216.92	0.00	0.00
Reversals of write-downs in year under review	0.00	0.00	0.00	0.00	0.00
Write-downs					
- Balance at Jan. 1, 2002	895,000.00	3,864,007.97	60,496,519.25	0.00	788,894.50
- Current write-downs	30,834.61	2,699,403.07	15,939,099.28	6,500.00	1,060,255.72
- Reclassifications	0.00	0.00	0.00	0.00	0.00
- Disposals	0.00	0.00	26,803,288.74	0.00	0.00
- Balance at Dec. 31, 2002	925,834.61	6,563,411.04	49,632,329.79	6,500.00	1,849,150.22
Carrying amounts					
- **Balance at Dec. 31, 2001**	**280,000.00**	**10,338,914.63**	**26,197,490.84**	**0.00**	**1,060,257.72**
- **Balance at Dec. 31, 2002**	**1,624,165.39**	**6,850,477.94**	**10,054,276.00**	**10,658,067.83**	**2.00**
thereof					
negotiable securities	1,624,165.39	6,825,476.43	10,054,275.00	10,658,067.83	0.00
listed securities	0.00	6,336,540.72	4,421,439.70	10,658,067.83	0.00

Unconsolidated affiliated companies relate to those subsidiaries that would generally be required to be consolidated, but are not consolidated because of their immateriality. The available-for-sale financial instruments include accumulated interest of € 360,129.27.

(37) Investments in companies carried at equity

This balance sheet item includes all investments in associated companies that are measured using the equity method.

	Investments in companies carried at equity
Cost	
- Balance at Jan. 1, 2002	0.00
- Additions	1,026,500.00
- Disposals	0.00
- Balance at Dec. 31, 2002	1,026,500.00
Reversals of write-downs in year under review	0.00
Write-downs	
- Balance at Jan. 1, 2002	0.00
- Current write-downs	0.00
- Disposals	0.00
- Balance at Dec. 31, 2002	0.00
Carrying amounts	
- Balance at Dec. 31, 2001	**0.00**
- Balance at Dec. 31, 2002	**1,026,500.00**
thereof	
negotiable securities	0.00
listed securities	0.00

(38) Investment securities

Investment securities relate exclusively to bonds and other fixed-interest securities. The composition of, and changes in, this item are presented below:

	Bonds and other fixed-interest securities
Cost	
- Balance at Jan. 1, 2002	29,567,837.03
- Additions	
- Reclassifications	
- Disposals	23,321,473.14
- Balance at Dec. 31, 2002	6,246,363.89
Reversals of write-downs in year under review	0.00
Write-downs	
- Balance at Jan. 1, 2002	10,500.00
- Current write-downs	46,550.00
- Reclassifications	0.00
- Disposals	0.00
- Balance at Dec. 31, 2002	57,050.00
Carrying amounts	
- **Balance at Dec. 31, 2001**	**29,557,337.03**
- **Balance at Dec. 31, 2002**	**6,189,313.89**
thereof	
negotiable securities	**6,189,313.89**
listed securities	**6,189,313.89**

The investment securities item includes accumulated interest of € 140,513.89.

The investment securities are composed of the following financial instruments:

	Dec. 31, 2002	**Dec. 31, 2001**
Bonds and other fixed-interest securities		
Bonds and debt securities issued by		
- public-sector issuers	3,630,720.14	24,909,911.94
- other issuers	2,558,593.75	4,647,425.09
Total	**6,189,313.89**	**29,557,337.03**

The remaining maturities of the investment securities are presented in the maturity structure (Note (67)).

(39) Property and equipment

Changes in property and equipment during the year under review are presented below:

	Operating and office equipment	Land and buildings	Property and equipment under development
Cost			
- Balance at Jan. 1, 2002	6,279,322.81	2,870,304.30	6,975,360.15
- Additions	349,991.86	38,708.63	15,616,260.56
- Disposals	484,371.36	92,486.55	92,467.28
- Reclassifications	1,501,128.46	19,520,490.22	-21,021,618.68
- Balance at Dec. 31, 2002	7,646,071.77	22,337,016.60	1,477,534.75
Reversals of write-downs in year under review	0.00	0.00	0.00
Depreciation and write-downs			
- Balance at Jan. 1, 2002	2,678,629.85	0.00	0.00
- Current write-downs	1,503,448.31	199,800.22	0.00
- Disposals	322,155.74	0.00	0.00
- Balance at Dec. 31, 2002	3,859,922.42	199,800.22	0.00
Carrying amounts			
- **Balance at Dec. 31, 2001**	**3,600,692.96**	**2,870,304.30**	**6,975,360.15**
- **Balance at Dec. 31, 2002**	**3,786,149.35**	**22,137,216.38**	**1,477,534.75**

There was no requirement to charge write-downs. No earlier impairment losses were reversed in the year under review.

(40) Intangible assets

The following overview presents changes in intangible assets:

	Goodwill	Concessions, industrial and similar rights and assets
Cost		
- Balance at Jan. 1, 2002	72,782,111.38	2,062,946.30
- Additions	0.00	799,676.70
- Disposals	171,014.30	47,673.75
- Balance at Dec. 31, 2002	72,611,097.08	2,814,949.25
Reversals of write-downs in year under review	0.00	0.00
Amortization and write-downs		
- Balance at Jan. 1, 2002	68,394,858.86	1,436,461.51
- Current write-downs	4,250,441.07	634,238.91
- Disposals	34,202.85	39,791.64
- Balance at Dec. 31, 2002	72,611,097.08	2,030,908.78
Carrying amounts		
- **Balance at Dec. 31, 2001**	**4,387,252.52**	**626,484.79**
- **Balance at Dec. 31, 2002**	**0.00**	**784,040.47**

This year, goodwill is reported under intangible assets on the grounds of immateriality. The prior-year figures were adjusted.
The reduction in goodwill is due to the sale of the subsidiary Baader Securities a.s., Prague. In fiscal year 2002, write-downs on goodwill amounting to € 3,929 thousand were charged.

(41) Recoverable income taxes

Recoverable income taxes relate to claims by the Group against the tax authorities for actual overpayment of taxes in the amount of € 1,572,096.09.

(42) Other assets

The other assets are composed of the following items:

	Dec. 31, 2002	**Dec. 31, 2001**
Other assets	2,013,535.86	1,885,403.71
Prepaid expenses	186,028.42	339,190.73
Total	**2,199,564.28**	**2,224,594.44**

(43) Deferred tax assets

Deferred taxes must be recognized for temporary differences between the carrying amounts of assets and liabilities in the financial statements and their tax base. Deferred tax assets represent future recoverable taxes. They are recognized when it is probable that the future tax benefit can actually be realized.

Deferred tax assets comprise deferred taxes on differences in the measurement of pension claims amounting to € 124,454.78 and deferred taxes on loss carryforwards amounting to € 27,776,748.78.

The consolidated financial statements of Baader Wertpapierhandelsbank AG recognize deferred taxes on unused tax loss carryforwards. In accordance with IAS 12, these must be recognized to the extent that it is probable that future taxable income will be available against which the unused tax losses can be offset. In fiscal year 2001, deferred recoverable taxes on loss carryforwards of € 50,660,503.03 were therefore recognized on the basis of the corporate planning resolved for the Baader Wertpapierhandelsbank Group.

A net loss was incurred once again in fiscal year 2002, increasing the tax loss carryforwards to € 144,671 thousand. Baader Wertpapierhandelsbank AG used the difficult economic situation in 2001 and 2002 as an opportunity to analyze its business segments and critically examine the costs incurred. This led the Company to decide to concentrate on its core competency, securities trading, in the future, a process which also involved revising the Company’s planning, which dated from 2001. On the basis of the decisions the long-term corporate planning resolved considers it more likely than not that sufficient taxable income will be generated in the coming years to utilize the tax loss carryforwards. At an income tax rate of 38.4%, the deferred recoverable taxes amount to € 55,553,497.56. Given the current imponderables surrounding future tax legislation and the present uncertainty on the capital markets, a discount of 50% was deducted from the overall deferred recoverable taxes from loss carryforwards. Correspondingly, deferred taxes on unused tax loss carryforwards of € 27,776,748.78 were disclosed in the IAS financial statements for the year ended December 31, 2002.

(44) Deposits from other banks

Deposits from banks relate solely to deposits from German banks and are composed of the following:

	Dec. 31, 2002	Dec. 31, 2001
Payable on demand	1,918,312.61	49,500,004.35
With agreed maturity or notice	13,096,456.89	0.00
Total	**15,014,769.50**	**49,500,004.35**

The item “with agreed maturity or notice” combines loans totaling € 13,000,000.00 and accumulated interest of € 96,456.89.

(45) Loans and advances to customers

The loans and advances to customers amounting to € 35,191.65 relate to demand deposits by German business customers.

(46) Provisions

The provisions are composed of the following items:

	Dec. 31, 2002	Dec. 31, 2001
Provisions for pensions	3,891,105.00	2,939,982.07
Other provisions	8,333,038.79	8,137,894.58
Total	**12,224,143.79**	**11,077,876.65**

The provisions for pensions and other employee benefits were computed on the basis of actuarial reports. The reports are based on the following assumptions:

- Discount rate: 5.75% - 6.0%
- Expected return on plan assets: 0
- Expected future salary increases: 0% - 3%
- Expected future pension increases: 1% - 2.5%

All provisions for pensions relate to unfunded pension obligations.

The pension obligations reported in the balance sheet are composed of the following items:

	2002	2001
Pension obligations at Jan. 1	3,652,042.00	2,703,446.95
Actuarial gains/losses	331,105.00	331,105.00
less unrecognized past service cost	-1,121,578.00	-1,281,803.64
Pension provisions at Jan. 1	2,861,569.00	1,752,748.31
Current service cost	639,140.00	835,124.75
Interest cost	234,979.00	165,597.01
Actuarial gains/losses recognized in year	-4,809.00	26,286.00
Past service cost	160,226.00	160,226.00
Pension provisions at Dec. 31	**3,891,105.00**	**2,939,982.07**

The other provisions changed as follows during the year under review:

thousands of €	**Balance at Jan. 1, 2002**	**Utilization**	**Reversals**	**Additions**	**Balance at Dec. 31, 2002**
Staff	219	158	61	765	765
Litigation	151	2	9	7	147
Cost allocation	940	17	20	43	946
Provisions for onerous contracts	6,081	0	4,081	2,437	4,437
Miscellaneous	747	577	150	497	517
Provision for restructuring costs	0	0	0	1,521	1,521
Total	**8.138**	**754**	**4,321**	**5,270**	**8,333**

A provision for restructuring costs was set up for the liquidation of KST Wertpapierhandels AG. This liquidation was resolved by the Extraordinary General Meeting on December 20, 2002. The restructuring provision is based on a plan outlining the steps in the liquidation process and the costs to be incurred. The provision of € 1,521 thousand comprises severance payments (€377 thousand), write-downs on current and noncurrent assets (€ 919 thousand) and other measures (€225 thousand).

(47) Provisions for taxes

The provisions for taxes relate to provisions for outstanding actual tax payments on prior period income amounting to € 128,670.18.

(48) Other liabilities and accruals

The other liabilities and accruals amount to € 8,167,862.96.
The other liabilities consist primarily of trade payables (€ 6,060 thousand) and accruals (€ 2,108 thousand).

The accruals are primarily composed of current obligations to employees, members of the Executive Board and the Supervisory Board, contributions and outstanding prior period invoices.

(49) Deferred tax liabilities

Deferred taxes must be recognized for temporary differences between the carrying amounts of assets and liabilities in the financial statements and their tax base.
Deferred tax liabilities represent future tax charges resulting from differences in the following items:

	Dec. 31, 2002	Dec. 31, 2001
Assets held for trading	15,603.87	162,248.65
Available-for-sale financial instruments	422,118.73	919,685.67
Provisions	0.00	150,028.52
Total	**437,722.60**	**1,231,962.84**

Deferred tax liabilities amounting to € 422,118.73 were charged directly to the revaluation reserve in equity. The reversal of deferred tax liabilities resulted in a tax benefit of € 296,673.30.

(50) Equity

Changes in issued, contingent and authorized capital

	Issued capital	Authorized capital	Contingent capital
Balance at Jan. 1, 2002	**22,954,341.00**	**8,631,159.00**	**5,600,000.00**
Balance at Dec. 31, 2002	**22,954,341.00**	**8,631,159.00**	**5,600,000.00**

The issued capital (share capital) at January 1, 2002 amounting to € 22,954,341.00 was composed of 22,954,341 no-par value bearer shares.

The General Meeting on June 1, 2001 resolved to authorize the Executive Board, with the consent of the Supervisory Board, to increase the share capital by up to € 2,105,700.00 by issuing new bearer shares against cash and/or non-cash contributions on one or more occasions up to May 31, 2006. With the approval of the Supervisory Board, shareholders' pre-emption rights may be disapplied in full or in part in the case of a cash capital increase if the issue price of the new shares is not materially lower than the quoted market price of the existing listed shares of the same class at the time the issue price is finalized (Authorized Capital 2001/I). The General Meeting on July 10, 2002 resolved to cancel Authorized Capital 2001/I and to create new Authorized Capital I. The Executive Board was authorized, with the consent of the Supervisory Board, to increase the share capital of the Company by up to € 2,295,434.00 by issuing new bearer shares against cash and/or non-cash contributions on one or more occasions up to July 9, 2007. With the approval of the Supervisory Board, shareholders' pre-emption rights may be disapplied in full or in part in the case of a cash capital increase if the issue price of the new shares is not materially lower than the quoted market price of the existing listed shares of the same class at the time the issue price is finalized (Authorized Capital 2002/I). To the extent that the Executive Board does not make use of this right to disapply pre-emption rights, it can only disapply shareholders’ pre-emption rights – with the consent of the Supervisory Board – in order to eliminate fractions.

The General Meeting on June 1, 2001 resolved to authorize the Executive Board, with the consent of the Supervisory Board, to increase the share capital by up to € 8,422,800.00 by issuing new shares against cash and/or non-cash contributions up to May 31, 2006. With the consent of the Supervisory Board, the Executive Board may disapply shareholders’ pre-emption rights and determine the further details of the capital increase concerned and the terms of the share issue. Shareholders’ pre-emption rights may only be disapplied under the terms of a capital increase against non-cash contributions, for the purposes of acquiring equity investments, companies or assets – including by means of all-share deals – and for business combinations, as well as to eliminate fractions (Authorized Capital 2001/II). The General Meeting on July 10, 2002 resolved to cancel Authorized Capital 2001/II and to create new Authorized Capital II. The Executive Board was authorized, with the consent of the Supervisory Board, to increase the share capital of the Company by up to € 9,181,736.00 by issuing new bearer shares against cash and/or non-cash contributions on one or more occasions up to July 9, 2007. With the consent of the Supervisory Board, the Executive Board may disapply shareholders’ pre-emption rights and determine the further details of the capital increase concerned and the terms of the share issue. Shareholders’ pre-emption rights may only be disapplied under the terms of a capital increase against non-cash contributions, in particular for the purposes of acquiring equity investments, companies or assets – including by means of all-share deals – and for business combinations, and to eliminate fractions (Authorized Capital 2002/II).

The issued capital at December 31, 2002 amounted to € 22,954,341.00, composed of 22,954,341 no-par value shares.

The General Meeting on June 18, 1999 resolved a contingent capital increase of up to € 600,000.00. This contingent capital increase will only be implemented by issuing up to 600,000 new no-par value bearer shares carrying dividend rights from the beginning of the fiscal year of their issue insofar as the holders of options issued under the terms of the Baader Wertpapierhandelsbank AG Stock Option Plan 1999 on the basis of the authorization issued on June 18, 1999 exercise their options (Contingent Capital 1999).

In accordance with section 71 (1) no. 7 of the AktG (German Public Companies Act), the General Meeting on June 1, 2001 authorized Baader Wertpapierhandelsbank AG to buy and sell own shares up to December 1, 2002 for the purposes of securities trading at prices that do not exceed or fall below the average closing price of the shares in floor trading on the Frankfurt Stock Exchange on each of the three preceding trading days by more than 10%. The holdings of own shares acquired for this purpose may not exceed 5% of the Company’s share capital.

In addition, the Company was authorized by a resolution of the General Meeting on June 1, 2001, in accordance with section 71 (1) no. 8 of the AktG, to acquire shares of the Company in order to be able to offer them to third parties in the course of the acquisition of companies or equity interests, to offer them for subscription to the beneficiaries of the Baader Wertpapierhandelsbank AG Stock Option Plan 1999 in accordance with the authorization by the General Meeting on June 18, 1999, or to cancel them.

The authorization is limited to the acquisition of own shares accounting for up to a maximum of ten percent of the share capital and is valid until December 1, 2002. The authorization may be exercised in full or in part, on one or more occasions, in order to pursue one or more of the stated goals. The shares will be acquired via the stock exchange. The price paid by Baader Wertpapierhandelsbank AG per share may not exceed by more than 5% the average closing price for the no-par value shares of Baader Wertpapierhandelsbank AG in floor trading on the Frankfurt Stock Exchange during the last five trading days prior to the purchase of the shares (excluding acquisition costs).

The General Meeting on July 10, 2002 resolved to cancel the resolutions in accordance with section 71 (1) no. 7 and no. 8 of the AktG passed on June 1, 2001 and to issue equivalent authorizations in accordance with section 71 (1) no. 7 and no. 8 of the AktG until January 9, 2004.

The treasury shares held by Baader Wertpapierhandelsbank AG reduce equity as follows:

	Issued capital	**Share premium**
Balance at Dec. 31, 2001	**39,100.00**	**1,349,566.79**
Additions of treasury shares	306,332.00	929,910.74
Disposals of treasury shares	0.00	0.00
Balance at Dec. 31, 2002	**345,432.00**	**2.279,477.53**

a) Share premium

The share premium contains the premium generated on the issuance of own shares. When own (treasury) shares are bought, the difference between cost and notional amount is charged to the share premium account. If the retained earnings have been utilized, the share premium contains all consolidation adjustments recognized in income.

b) Retained earnings

Retained earnings contain the earnings retained by the Group as well as all consolidation adjustments recognized in income.

c) Revaluation reserves

The revaluation reserves contain the gains from the fair value remeasurement of securities that are not recognized immediately in net profit or loss. The revaluation reserves also represent the contra-item for deferred taxes to be recognized for the amounts recognized in these reserves.

CONSOLIDATED INCOME STATEMENT DISCLOSURES

(51) Net interest income/expense

The net interest income/expenses is composed of the following items:

	Dec. 31, 2002	Dec. 31, 2001
Interest income from	**1,887,956.92**	**3,162,142.14**
- Lending and money market business	1,877,885.84	2,391,551.58
- Fixed-interest securities	10,071.08	770,590.56
Interest expenses	**-1,267,549.57**	**-3,543,163.79**
Total	**620,407.35**	**-381,021.65**

Interest expenses are composed primarily of interest expenses for current liabilities amounting to € 876,670.88 and of interest expenses for loans amounting to € 179,529.94.

(52) Allowance for losses on loans and advances

The allowance for losses on loans and advances changed as follows during the year under review:

	Dec. 31, 2002	Dec. 31, 2001
Additions to allowance	-7,082,107.53	0.00
Reversals	0.00	0.00
Recoveries on loans and advances written off	11,000.00	0.00
Balance at Dec. 31, 2002	**-7,071,107.53**	**0.00**

(53) Net fee and commission expense

	Dec. 31, 2002	Dec. 31, 2001
Fee and commission income	**6,470,997.56**	**13,298,587.67**
- Securities and issue business	448,119.34	664,550.60
- Brokerage fees	6,022,878.22	12,634,037.07
Fee and commission expenses	**-9,364,966.13**	**-17,042,045.52**
- Brokerage fees	-1,027,529.60	-996,338.08
- Settlement fees	-7,949,735.39	-15,254,150.28
- Securities and issue business	-103,058.30	-25,000.00
- Other fee and commission expenses	-284,642.84	-766,557.16
Total	**-2,893,968.57**	**-3,743,457.85**

(54) Net trading income

	Dec. 31, 2002	Dec. 31, 2001
Securities trading	**16,089,526.88**	**40,169,048.48**
- Interest and dividends	194,748.39	553,393.54
- Securities	-629,846.02	20,217,453.55
- Options	410.10	-2,000.00
- Price differences	16,524,214.41	19,400,201.39
Foreign currencies	**-93,457.11**	**-25,870.94**
Total	**15,996,069.77**	**40,143,177.54**

(55) Net loss from available-for-sale financial instruments

	Dec. 31, 2002	Dec. 31, 2001
Interest and dividend income	**726,191.73**	**185,186.33**
- Fixed-interest securities	569,488.49	0.00
- Equities/other non-fixed-interest securities	146,263.24	170,156.33
- Investments in associates	10,440.00	15,030.00
Gain/loss on the sale of available-for-sale financial assets	**1,189,150.27**	**-1,415,691.74**
- Equities/other non-fixed-interest-securities	297,112.24	-1,372,889.23
- Investments in associates	892,038.03	-42,802.51
Write-downs	**-19,707,092.68**	**-33,342,181.12**
Total	**-17,791,750.68**	**-34,572,686.53**

(56) Net income from investment securities

	Dec. 31, 2002	Dec. 31, 2001
Interest income from	**388,472.22**	**451,832.78**
- Lending and money market business	0.00	145,718.19
- Fixed-interest securities	388,472.22	306,114.59
Write-downs	**-53,443.84**	**-12,524.71**
Total	**335,028.38**	**439,308.07**

(57) Administrative expenses

	Dec. 31, 2002	Dec. 31, 2001
Staff costs	**-20,946,522.99**	**-23,076,346.58**
- Wages and salaries	-18,091,598.34	-19,716,077.83
- Social security contributions	-2,312,728.98	-1,973,492.90
- Pension and other benefit costs	-542,195.67	-1,386,775.85
Other administrative expenses	**-17,047,864.69**	**-21,063,901.85**
Depreciation, amortization and write-downs on intangible assets and property and equipment	**-2,380,684.44**	**-1,810,292.92**
Total	**-40,375,072.12**	**-45,950,541.35**

(58) Other operating income and other operating expenses

	Dec. 31, 2002	Dec. 31, 2001
Other operating income	6,448,752.81	3,170,315.45
Other operating expenses	-8,375,646.20	-75,298,907.96
Total	**-1,926,893.39**	**-72,128,592.51**

Other operating income comprises items that cannot be allocated to other line items in the income statement. These relate primarily to income from the reversal of provisions (€ 4,640 thousand) and prior-period income (€ 735 thousand).
Other operating expenses also comprise items that cannot be allocated to other line items in the income statement. These include prior-period expenses (€ 368 thousand), other taxes that cannot be allocated to income taxes (€ 37 thousand), additions to provisions for onerous contracts (€ 2,371 thousand), goodwill amortization and write-downs (€ 4,250 thousand) and the loss from the disposal of assets and debts due to the deconsolidation of Baader Securities a.s., Prague (€ 1,089 thousand). Goodwill amortization and write-downs include write-downs amounting to € 3,929 thousand.

(59) Income taxes on loss from ordinary activities

Income taxes for the year under review are composed of the following items:

	Dec. 31, 2002	Dec. 31, 2001
Current taxes	606,662.62	572,240.29
Deferred taxes	-22,462,626.17	46,732,219.43
Total	**-21,855,963.55**	**47,304,459.72**

The actual tax expense is computed on the basis of the taxable income of the individual Group companies for the fiscal year. No income tax has to be paid for fiscal year 2002 due to the losses incurred by all consolidated companies.
Deferred taxes were recognized for temporary differences resulting from differing carrying amounts in the reconciliation between the HGB financial statements and the IAS/IFRS consolidated financial statements. The deferred taxes included in the income taxes item in the income statement are composed of the following items:

	Dec. 31, 2002	Dec. 31, 2001
Deferred tax assets	-22,759,299.47	45,724,619.42
Deferred tax liabilities	296,673.30	1,007,600.01
Total	**-22,462,626.17**	**46,732,219.43**

The tax benefit from the deferred tax liabilities reported in the income statement amounting to € 296,673.30 results from the reversal of deferred tax liabilities recognized in prior periods for temporary differences between the carrying amounts of assets and liabilities in the financial accounts and their tax base.
The deferred tax assets include tax expense from the pro rata reversal of the deferred tax assets for the loss carryforwards from 2001 and 2002 in the amount of € 22,883,754.25. Given the current imponderables surrounding future tax legislation and the present uncertainty on the capital markets, a discount of 50% was deducted from the total potential recoverable taxes from fiscal years 2001 and 2002 of € 55,553,497.56. The criteria set out in IAS 12 for the recognition of the remaining future tax benefit were met.
The recognition of deferred tax assets resulting from the measurement differences for provisions for pensions under the HGB and IASs/IFRSs led to tax income of € 124,454.78 in the fiscal year.
In fiscal year 2002, deferred taxes were computed on the basis of a 38.4% tax rate. The tax rate results from an average trade tax rate of 16.3% and a corporation tax rate of 25%, plus the solidarity surcharge.

(60) Earnings per share

Earnings per share are computed by dividing the net profit or loss after taxes including minority interests by the weighted average number of ordinary shares outstanding during the year under review.

	2002	2001
Net loss	-74,376,124.71	-67,895,314.11
Weighted average number of shares outstanding	22,786,554	21,211,216
Earnings per share	**-3.26**	**-3.20**

Diluted earnings per share correspond to basic earnings per share because no dilutive effects can arise from the exercise of pre-emption rights for shares of Baader Wertpapierhandelsbank AG.
A dilutive effect from employee stock option rights is only possible for the first time in fiscal year 2004 because the stock options can only be exercised for the first time in that year.

Other disclosures

(61) Foreign currency volumes

Assets denominated in foreign currencies amounted to € 6.14 at the balance sheet date. They are composed of loans and advances to other banks.

(62) Contingencies and commitments

Contingencies and commitments relate to potential future obligations of the Group that have been granted to customers but not taken up. Settlement of these liabilities is unlikely, so they are disclosed off the balance sheet.

	Dec. 31, 2002	Dec. 31, 2001
Contingent liabilities		
- Liabilities on guarantees and warranties	350,655.24	6,345,594.89
- Liabilities from the granting of security for third-party liabilities	0.00	2,045,167.53
Other commitments		
- Irrevocable loan commitments	0.00	0.00

(63) Other financial obligations

Financial obligations from office leases amount to a total of € 1,804 thousand and have remaining terms of between 10 and 62 months.
In addition, obligations from vehicle leases and leased items of operating and office equipment exist in the amount of € 1,909 thousand, with remaining terms of between 2 and 37 months.

(64) Trust activities

Assets and liabilities held by the Group under its own name but for third-party account are not recognized on the balance sheet.
The following table presents the volume of trust activities:

	Dec. 31, 2002	Dec. 31, 2001
Loans and advances to other banks	0.00	213,466.28
Securities	7,372.04	6,021,338.86
Trust assets	**7,372.04**	**6,234,805.14**
Loans and advances to other banks	0.00	213,466.28
Shares in companies	7,372.04	6,021,338.86
Trust liabilities	**7,372.04**	**6,234,805.14**

The following assets had been deposited or assigned as collateral in the Group at the balance sheet date:

	Dec. 31, 2002	Dec. 31, 2001
Loans and advances to other banks	10,675,730.61	52,782,950.59
Securities	6,093,800.00	26,409,911.94
Total	**16,769,530.61**	**79,192,862.53**

(65) Borrowing costs

Borrowing costs are expensed in the period in which they are incurred.

(66) Disclosures on the fair value of individual balance sheet items

The individual assets and liabilities are measured at their fair values. There are no identifiable hidden reserves or liabilities in the balance sheet at the reporting date. Fair value measurement is based on the market price. Where no market price is available, items are measured on the basis of expected future discounted cash flows.

(67) Maturity structure

The maturity structure of the Group balance sheet as of the 2002 balance sheet date is as follows:

thousands of €	up to 3 months	3 months to 1 year	1 to 5 years	more than 5 years	Indefinite	Total
Assets						
Cash reserve	0	0	0	0	0	0
Loans and advances to other banks	27,979	0	0	0	0	27,979
Loans and advances to other customers	7,289	0	0	0	0	7,289
Allowance for losses on loans and advances	-7,242	0	0	0	0	-7,242
Assets held for trading	18,726	0	0	0	0	18,726
Available-for-sale financial instruments	1,375	17,693	3,854	4,498	1,767	29,187
Investments in companies carried at equity	0	0	0	0	1,026	1,026
Investment securities	0	6,189	0	0	0	6,189
Property and equipment	0	178	0	0	27,223	27,401
Intangible assets	0	15	0	0	769	784
Goodwill	0	0	0	0	0	0
Recoverable income taxes	0	0	1,572	0	0	1,572
Other assets	449	730	474	547	0	2,200
Deferred tax assets	0	0	27,777	124	0	27,901
Total assets	**48,576**	**24,805**	**33,677**	**5,169**	**30,785**	**143,012**
Liabilities and Shareholders' Equity						
Deposits from other banks	1,918	13,097	0	0	0	15,015
Due to customers	35	0	0	0	0	35
Provisions	0	8,333	0	0	3,891	12,224
Provisions for taxes	0	129	0	0	0	129
Other liabilities and accruals	5,414	2,107	646	0	0	8,167
Deferred tax assets	16	0	0	422	0	438
Minority interest	0	935	0	0	0	935
Shareholders' equity	0	0	0	0	106,069	106,069
Total liabilities and Shareholders' Equity	**7,383**	**24,601**	**646**	**422**	**109,960**	**143,012**

The maturity structure of the Group balance sheet as of December 31, 2001 is as follows:

thousands of €	up to 3 months	3 months to 1 year	1 to 5 years	more than 5 years	Indefinite	Total
Assets						
Cash reserve	0	0	0	0	0	0
Loans and advances to other banks	82,887	0	0	0	0	82,887
Loans and advances to other customers	958	9	14	0	0	981
Allowance for losses on loans and advances	-171	0	0	0	0	-171
Assets held for trading	30,402	0	0	0	0	30,402
Available-for-sale financial instruments	27,258	0	0	0	10,619	37,877
Investment securities	2,097	23,818	3,642	0	0	29,557
Property and equipment	0	0	0	0	13,446	13,446
Intangible assets	0	0	0	0	627	627
Goodwill	0	313	1,253	2,821	0	4,387
Recoverable income taxes	5,833	0	0	0	0	5,833
Other assets	2,225	0	0	0	0	2,225
Deferred tax assets	0	5,866	44,795	0	0	50,661
Total assets	**151,489**	**30,006**	**49,704**	**2,821**	**24,692**	**258,712**
Liabilities and Shareholders' Equity						
Deposits from other banks	49,500	0	0	0	0	49,500
Due to customers	24	0	0	0	0	24
Provisions	8,138	0	0	2,940	0	11,078
Provisions for taxes	4,231	0	0	0	0	4,231
Other liabilities and accruals	10,312	0	0	0	0	10,312
Deferred tax assets	162	0	0	0	1,070	1,232
Minority interest	0	0	0	0	1,522	1,522
Shareholders' equity	0	0	0	0	180,813	180,813
Total liabilities and Shareholders' equity	**72,367**	**0**	**0**	**2,940**	**183,405**	**258,712**

(68) Employees

The Baader Wertpapierhandelsbank AG Group employed an average of 200 (previous year: 221) staff during the year under review. 186 employees were employed at the balance sheet date.

(69) Related party disclosures

a) Remuneration of the Executive Board and the Supervisory Board

	2002 €	2001 thousands of €
Executive Board	3,721,023.25	3,230
Supervisory Board (excl. reimbursement of expenses)	105,047.52	139

The remuneration of the Executive Board members includes severance payments amounting to € 825 thousand. A provision of € 3,891,105.00 (previous year: € 2,940 thousand) was set up for pension obligations to members of the Executive Board.

b) Other disclosures

The majority shareholder of Baader Wertpapierhandelsbank AG is Baader Beteiligungs GmbH, registered in Munich. There were no transactions between the two companies in the year under review.

(70) Shareholdings of management and supervisory bodies

at Dec. 31, 2002	Number of shares	Number of options
Executive Board	15,298,994	68,012
Supervisory Board	0	10,056

The shareholdings of Mr. Uto Baader in Baader Wertpapierhandelsbank AG are managed via Baader Immobilienverwaltungs GmbH & Co. KG (1,246,394 shares) and Baader Beteiligungs GmbH (14,052,000 shares).

(71) Information on subsidiaries

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

Name, registered office: Baader Securities a.s., Prague/Czech Republic
Equity interest/Share in voting rights: 100.00%

Name, registered office: Baader Securities AG, Frankfurt am Main
Equity interest/Share in voting rights: 100.00%

Name, registered office: IPO GmbH, 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: WebStock AG, Unterschleißheim
Equity interest/Share in voting rights: 100.00%

(72) Executive bodies of Baader Wertpapierhandelsbank AG

Executive Board

Uto Baader, Munich

- Chairman of the Executive Board of Baader Wertpapierhandelsbank AG, Unterschleißheim
- Managing Director of IPO GmbH, Unterschleißheim
- Managing Director of Baader Beteiligungs GmbH, Munich
- Chairman of the Supervisory Board of Baader Securities a.s., Prague
- Chairman of the Supervisory Board of Baader Management AG, Unterschleißheim
- Member of the Supervisory Board of Smart.IPO AG, Munich
- Member of the Supervisory Board of Medi-Globe Corp., Tempe, Arizona
- Member of the Supervisory Board of KST Wertpapierhandels AG, Stuttgart
- Member of the Supervisory Board of Bayerische Börse AG, Munich
- Member of the Supervisory Board of Baader Securities AG, Frankfurt/Main (formerly Eckes Effektenhandel AG)
- Member of the Supervisory Board of Börse Stuttgart AG, Stuttgart (until March 1, 2002)
- Member of the Supervisory Board of 2venture AG, Bonn (until August 30, 2002)
- Member of the Board of Directors of CINSA S.A., Telde, Spain (until December 31, 2002)

Dieter Brichmann, Penzberg

- Member of the Executive Board of Baader Wertpapierhandelsbank AG, Unterschleißheim
- Managing Director of IPO GmbH, Unterschleißheim
- Chairman of the Supervisory Board of WebStock AG, Unterschleißheim (in liquidation)
- Deputy Supervisory Board Chairman of Baader Securities AG, Frankfurt/Main (formerly Eckes Effektenhandel AG)
- Member of the Supervisory Board of Baader Management AG, Unterschleißheim

Stefan Hock, Munich

- Member of the Executive Board of Baader Wertpapierhandelsbank AG, Unterschleißheim
- Managing Director of IPO GmbH, Unterschleißheim
- Deputy Supervisory Board Chairman of WebStock AG, Unterschleißheim (in liquidation)

Supervisory Board

Prof. Gerhard Tremer, Gräfelfing (until July 10, 2002)
Age: 78

- Chairman of the Supervisory Board of Baader Wertpapierhandelsbank AG, Unterschleißheim (April 29, 1996 to July 10, 2002)
- Former member of the Executive Board of Bayerische Landesbank, Munich
- Member of the Supervisory Board of Mannesmann Sachs AG, Schweinfurt (until April 30, 2001)

Dr. Horst Schiessl, Munich
Age: 60
Profession: lawyer
Member of the Supervisory Board since: February 26, 1999

- Chairman of the Supervisory Board of Baader Wertpapierhandelsbank AG, Unterschleißheim (since July 10, 2002)
- Deputy Supervisory Board Chairman of Baader Wertpapierhandelsbank AG, Unterschleißheim (until July 10, 2002)
- Chairman of the Supervisory Board of Chiemsee AG, Grabenstätt
- Chairman of the Supervisory Board of Softing AG, Haar near Munich
- Chairman of the Supervisory Board of Brain International AG, Breisach
- Deputy Supervisory Board Chairman of SPAG St. Petersburg Immobilien und Beteiligungs AG, Mörfelden-Walldorf
- Member of the Supervisory Board of Dussmann AG & Co.KGaA, Berlin

Dr. Christoph Niemann, Meerbusch
Age: 64
Profession: retired banker
Personally liable partner of HSBC Trinkaus & Burkhardt KGaA (until May 2002)
Member of the Supervisory Board since: July 10, 2002

- Deputy Supervisory Board Chairman of Baader Wertpapierhandelsbank AG, Unterschleißheim (since July 10, 2002)
- Member of the Supervisory Board of Hannoversche Lebensversicherung a.G.
- Member of the Board of MASAI, Paris
- Member of the Executive Board of Bankenvereinigung Nordrhein-Westfalen e.V.

Josef Faltenbacher, Munich
Age: 63
Profession: *Wirtschaftsprüfer* (German public auditor)
Member of the Supervisory Board since: June 26, 1998

- Deputy Supervisory Board Chairman of Softing AG, Haar near Munich

Peter Schemuth, Florstadt
Age: 64
Member of the Supervisory Board since: June 1, 2001

- Member of the Executive Board of Baader Wertpapierhandelsbank AG, Unterschleißheim (until May 31, 2001)
- Deputy Supervisory Board Chairman of Baader Management AG, Unterschleißheim
- Chairman of the Supervisory Board of KST Wertpapierhandels AG, Stuttgart

Andreas Mayer, Gräfelfing (until July 31, 2002)
Age: 34
Profession: equities trader
Member of the Supervisory Board since: September 1, 2001 (employee representative)

Thomas Wiegelmann, Sulzbach / Taunus
Age: 34
Profession: project manager
Member of the Supervisory Board since: June 26, 1998 (employee representative)

(73) Group shareholdings

Name, domicile:	% interest in capital	Last financial statements	Equity (total)	Net profit/loss for the most recent fiscal year
IPO GmbH, Unterschleißheim *)	100.00	Dec. 31, 2002	€ 22,713,993.23	€ 0.00 **)
Baader Securities a.s., Prague/Czech Republic *)	100.00	Dec. 31, 2002	€ 1,498,009.79	€ -598,888.09
Baader Management AG, Unterschleißheim	100.00	Dec. 31, 2002	€ 50,000.00	€ -1,192.45
Eckes Effektenhandel AG, Frankfurt/Main *)	100.00	Dec. 31, 2002	€ 9,246,824.88	€ 0.00 **)
WebStock AG, Unterschleißheim	100.00	Dec. 31, 2002	€ 199,165.39	€ -750,834.61
KST Wertpapierhandels AG, Stuttgart *)	87.01	Dec. 31, 2002	€ 9,195,532.72	€ -4,519,827.79
Heins & Seitz Capital Management GmbH, Munich *)	50.00	Oct. 31, 2002	€ 94,373.87	€ 27,057.43
Smart.IPO AG, Munich	32.57	Dec. 31, 2002	€ -215,769.85	€ -397,971.46
boerse-stuttgart.de, Stuttgart	10.93	Dec. 31, 2001	€ 2,198,398.34	€ -766,084.11
U.C.A. AG, Munich	11.88	Dec. 31, 2001	€ 28,135,643.69	€ -1,693,801.75
Ben Bavarian Equity Network GmbH, Munich	16.67	Dec. 31, 2001	€ 92,719.21	€ 40,397.32
SM Wirtschaftsberatungs AG, Sindelfingen	7.71	Dec. 31, 2001	€ 13,254,279.17	€ 1,771,641.11
WSC Windsurfing Chiemsee AG, Grabenstätt	67.04	Nov.30, 2002	€ 8,117,343.14	€ -4,305,250.86
Brain International AG, Breisach	9.09	Dec. 31, 2001	€ 20,744 thousand	€ 1,290 thousand
Mox Telecom AG, Ratingen	20.30	Dec. 31, 2001	€ 2,700,807.18	€ 172,091.22
Mermaid Pharmaceuticals GmbH, Hamburg	13.99	Dec. 31, 2001	€ 1,919,733.40	€ -5,109,800.29
Medi Globe Corp., Tempe/Arizona	6.82	Dec. 31, 2001	USD 15,480,960.00	USD -4,967,299.00
Advanced Medien AG, Munich	7.41	Dec. 31, 2001	€ 13,168,954.55	€ -21,269,785.53
e-m-s new media AG, Dortmund	8.14	Dec. 31, 2001	€ 12,691,213.74	€ -16,986,962.04
Werbas AG, Holzgerlingen	30.72	Dec. 31, 2001	€ 8,072,878.88	€ -2,844,966.90
Stillking Film Group N.V., Amsterdam	5.96	Dec. 31, 2001	USD 475 thousand	USD 588 thousand
SAF Simulation, Analysis and Forecasting AG, Tägerwillen / Switzerland	16.19	Dec. 31, 2001	€ 3,499,653.39	€ -5,136,930.75

*) consolidated companies
**) profit-pooling agreement

Unterschleißheim, March 17, 2003
Baader Wertpapierhandelsbank AG

The Executive Board

Uto Baader Dieter Brichmann Stefan Hock

Auditors’ Report

We have audited the consolidated financial statements, comprising the balance sheet, the income statement, the statements of changes in equity and cash flows, the segment reporting and the notes to the financial statements of **Baader Wertpapierhandelsbank AG, Unterschleißheim**, for the fiscal year January 1 to December 31, 2002. The preparation and content of the consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion as to whether the consolidated financial statements comply with the International Accounting Standards (IASs), based on our audit.

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

In our opinion, the consolidated financial statements give a true and fair view of the net assets, financial position, results of operations and cash flows of the Group for the fiscal year in accordance with IASs.

Our audit, which also extends to the group management report prepared by the Company’s management for the fiscal year January 1 to December 31, 2002, has not led to any reservations.

In our opinion, on the whole the group management report provides a suitable understanding of the Group’s position and suitably presents the risks of future development. We also confirm that the consolidated financial statements and the group management report for the fiscal year January 1 to December 31, 2002 satisfy the conditions required for the Company’s exemption from its obligation to prepare consolidated financial statements and a group management report in accordance with German law. We conducted our audit of the required compliance of the Group’s accounting with the 7th EU Directive and the EU Bank Accounts Directive for the exemption from the requirement for consolidated accounting pursuant to German commercial law on the basis of the interpretation of the Directive contained in GAS 1 issued by the German Accounting Standards Committee.

Bremen, March 20, 2003

Clostermann & Jasper Partnerschaft
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Dipl.-Oec. Torsten Jasper	Dipl.-Kfm. Christian-Peter Lamm
Wirtschaftsprüfer	Wirtschaftsprüfer