



Quarterly Report I/2004

BAADER
Wertpapierhandelsbank AG

Foreword

Dear Shareholders,

the mood on the stock markets was mixed in Q1 2004. Some extremely positive company news and better economic data from both Germany and abroad contrasted with bad news on the war against terrorism.

After adjustment for exchange rate effects, the foreign indices Dow Jones, NASDAQ and DJ STOXX 50 closed the quarter virtually unchanged on the end of 2003. At 14.9%, the Japanese NIKKEI 225 recorded the highest growth of all the world's key indices. The MDAX (+ 6.3%), the TecDAX (+ 9.8%) and the SDAX (+13.1%) all did extremely well in Q1 2004 – in contrast to the DAX which fell by 2.7%. Despite numerous announcements, IPOs again failed to materialize in Germany in the period under review.

Our new Institutional Fixed Income Agency Business unit started operations at the beginning of the year and exceeded our forecasts after only three months. Q1 2004 saw the first fruits of the Company's strategy from the previous year, which involved a substantial expansion of its specialist activities, in all areas for the first time (German equities, foreign equities, derivatives and bonds).

In the period under review, Baader Wertpapierhandelsbank AG provided support for Allgäuer Alpenwasser AG, which implemented a capital increase, and for a listing on the third segment of the Munich Stock Exchange.

Baader sold its majority interest in KST Wertpapierhandel AG to a group of investors which will continue the Company on their own direction.

Group management report

Result of operations

The Company significantly improved on its loss from ordinary activities of €2,488 thousand in Q1 2003 to generate a profit of €4,340 thousand in Q1 2004. This drastic improvement in results is attributable to the positive stock market environment as well as to the systematic anticyclical expansion of our core business segments. The most striking improvements were the expansion of specialist activities relating to equities, derivatives and bonds in Frankfurt, the establishment of the new Institutional Fixed Income Agency Business segment as well as the successful development of the new trading system – MAX-ONE – on the Munich Stock Exchange. Net fee and commission income increased sharply year-on-year to €2,703 thousand (previous year: expense of €119 thousand), as did net trading income to €12,401 thousand (previous year: €3,672 thousand). In the period under review, Baader Wertpapierhandelsbank therefore generated a profit from operations of €4,184 thousand for the first time since Q2 2001. This was despite an increase in administrative expenses of €2,395 thousand overall, which was mainly due to higher variable salary components.

Net assets

At €141,773 thousand, total assets as of March 31, 2004 were up 4% on December 31, 2003 (€137,383 thousand). Loans and advances to other banks and shareholders' equity increased substantially due to strong results from securities trading. The changes in available-for-sale financial instruments and assets held for trading relate to reclassifications of individual securities within these items. As of March 31, 2004, consolidated shareholders' equity amounted to €110,926 thousand and the equity ratio to 78.2%.

Financial position

On March 31, 2004, short-term loans and advances to other banks and available-for-sale securities and financial instruments amounted to €45,276 thousand, while short-term liabilities to banks totaled €586 thousand. This results in a net balance-sheet liquidity surplus of €44,690 thousand. The Group's liquidity was guaranteed at all times during the period under review.

Outlook

We are expecting a volatile market environment is forecast for the current year, with a moderate increase in stock market turnover. The next change in the allocation of fees on the Frankfurt Stock Exchange will take effect on June 1, 2004 and should lead to another slight increase in income from such fees. We will continue to systematically drive forward the further expansion of our core business segments in 2004. On the basis of its forecast results for the entire year, Baader Wertpapierhandelsbank AG currently expects to be able to pay a dividend for fiscal 2004.

Accounting policies

Baader Wertpapierhandelsbank AG makes use of the exempting provision of section 292(a) of the Handelsgesetzbuch (HGB – German Commercial Code). The following interim report was prepared in accordance with IAS 34 for the Baader Group as of March 31, 2004 in compliance with the International Accounting Standards/International Financial Reporting Standards (IASs/IFRSs) issued by the International Accounting Standards Board (IASB), as interpreted by the International Financial Reporting Interpretations Committee (IFRIC). The same accounting policies were used to prepare the interim report and determine the comparative figures for last year as were used in the consolidated financial statements as of December 31, 2003.

Consolidated companies

KST Wertpapierhandels AG was deconsolidated as of March 31, 2004. As a result, only Baader Management AG is now included in the consolidated group of Baader Wertpapierhandelsbank AG.

Consolidated Balance Sheet (IAS)
for the period January 1 to March 31, 2004
Baader Wertpapierhandelsbank AG
Unterschleissheim

ASSETS			March 31, 2004	Dec. 31, 2003
		Notes	€	€ thousands
1.	Loans and advances to other banks	(9)	18,536,840.35	14,059
2.	Loans and advances to customers	(9)	2,573,927.58	2,864
3.	Allowance for losses on loans and advances	(9)	-163,055.37	-188
4.	Assets held for trading	(10)	30,297,629.47	18,936
5.	Available-for-sale financial instruments	(11)	14,010,011.13	24,412
6.	Investments in companies carried at equity	(12)	961,212.46	1,025
7.	Investment securities	(13)	3,736,862.50	3,697
8.	Property and equipment	(14)	24,198,467.38	24,456
9.	Intangible assets	(15)	15,056,328.71	15,203
10.	Recoverable income taxes	(16)	1,646,134.13	1,475
11.	Other assets	(17)	3,020,922.59	2,820
12.	Deferred tax assets	(16)	27,897,867.78	28,624
	Total assets		141,773,148.71	137,383

LIABILITIES AND SHAREHOLDERS' EQUITY			March 31, 2004	Dec. 31, 2003
		Notes	€	€ thousands
1.	Deposits from other banks	(18)	17,064,228.64	15,099
2.	Provisions	(19)	6,283,280.19	7,508
3.	Provisions for taxes	(20)	553,641.00	0
4.	Other liabilities and accruals	(21)	6,351,359.82	5,675
5.	Deferred tax liabilities	(20)	594,480.68	514
6.	Minority interest		0	813
7.	Shareholders' equity			
	a) Issued capital		22,409,384.00	22,409
	b) Share premium		83,566,039.71	82,856
	c) Revaluation reserve		139,750.10	214
	d) Consolidated net loss		4,810,984.57	2,295
	Total liabilities and shareholders' equity		141,773,148.71	137,383

Consolidated Income Statement

for the period January 1 to March 31, 2004

Baader Wertpapierhandelsbank AG, Unterschleissheim

INCOME STATEMENT	Notes	€	Jan. 1 - March	Jan. 1 - March
			31, 2004	31, 2003
			€	€ thousands
1. Interest income	(1)	57,564.96		13
2. Interest expense	(1)	-165,486.76		-134
3. Net interest expense	(1)		-107,921.80	-121
4. Allowance for losses on loans and advances			25,369.01	0
5. Net interest expense after allowance for losses on loans and advances			82,552.79	-121
6. Fee and commission income	(2)	4,931,836.96		1,457
7. Fee and commission expense	(2)	-2,228,518.03		-1,576
8. Net fee and commission income	(2)		2,703,318.93	-119
9. Net trading income	(3)		12,400,824.86	3,672
10. Net income from available-for-sale financial instruments	(4)		876,792.75	975
11. Net income from investment securities	(5)		39,375.00	95
12. Administrative expenses	(6)		-11,753,795.31	-9,359
13. Loss from operations			4,183,963.44	-4,857
14. Other operating income	(7)		213,943.78	2,457
15. Other operating expenses	(7)		-58,209.78	-88
16. Income from ordinary activities			4,339,697.44	-2,488
17. Income taxes on profit (loss)	(7)		-1,354,262.45	-344
18. Net profit for the period before minority interest			2,985,434.99	-2,832
19. Minority interest in net loss			4,167.5	70
20. Net profit for the period before minority interest			2,989,602.49	-2,762
21. Accumulated income brought forward			1,821,382.08	-55
22. Consolidated net profit			4,810,984.57	-2,817

	Jan. 1 - March	Jan. 1 - March
	31, 2004	31, 2003
	€	€
Earnings per share	0.13	-0,12

Statement of Changes in Equity
for the period January 1 to March 31, 2004
Baader Wertpapierhandelsbank AG
Unterschleissheim

STATEMENT OF CHANGES IN EQUITY	Jan. 1 -March 31, 2004 € thousands	Jan. 1 -March 31, 2003 € thousands
Equity as of January 1	105,479	106,070
Issued Capital		
- Change in treasury shares	0	-36
Share premium		
- Change in treasury shares	0	-35
- Adjustments from appropriation of profit	872	0
- Currency translation adjustments	0	0
- Adjustments from consolidation	-162	55
Retained earnings		
- Adjustments to appropriated profit	0	0
- Adjustments from consolidation	0	0
Revaluation reserves		
- Remeasurement	-120	-1,096
- Deferred tax adjustments	46	421
Consolidated earnings		
- Net profit for the period Jan. 1 - March 31	4,811	-2,817
Equity as of March 31	110,926	102,562

Cash Flow Statement

for the period January 1 to March 31, 2004

Baader Wertpapierhandelsbank AG

Unterschleissheim

CASH FLOW STATEMENT	Jan. 1 -March 31, 2004 € thousands	Jan. 1 -March 31, 2003 € thousands
Loss for the period (incl. Minority interest in net loss)	2,990	-2,761
Cash flow from operating activities	11,034	-231
Cash flow from investing activities	1,493	-7,219
Cash flow from financing activities	0	-71
Net change in cash and cash equivalents	12,527	-7,521
Effect of exchange rate adjustments and changes in Group structure	-2,917	2,064
Cash and cash equivalents at beginning of period	6,474	15,595
Cash and cash equivalents at end of period	16,085	10,138
Composition of cash and cash equivalents at March 31		
Loans and advances to other banks - payable on demand	18,311	18,626
Deposits from other banks - payable on demand	-2,226	-8,488
Cash and cash equivalents	16,085	10,138

Notes to the Consolidated Income Statement
Baader Wertpapierhandelsbank AG
Unterschleissheim

(1) NET INTEREST INCOME	Jan. 1 - March 31, 2004 € thousands	Jan. 1 - March 31, 2003 € thousands	Change in %
Interest income from	57	13	338.5
- Lending and money market business	58	13	338.5
- Fixed-interest securities	0	0	0
Interest expenses	-165	-134	23.1
Total	-108	-121	10.7

(2) NET FEE AND COMMISSION EXPENSE	Jan. 1 - March 31, 2004 € thousands	Jan. 1 - March 31, 2003 € thousands	Change in %
Fee and commission income	4,932	1,457	238.5
- Securities and issue business	99	65	52.3
- Brokerage fees	4,833	1,392	247.2
Fee and commission expenses	-2,229	-1,576	41.4
- Brokerage fees	-583	-175	233.1
- Settlement fees	-1,601	-1,350	18.6
- Securities and issue business	-11	-15	-26.7
- Other fee and commission expenses	-34	-36	-5.6
Total	2,703	-119	2,371.4

(3) NET TRADING INCOME	Jan. 1 - March 31, 2004 € thousands	Jan. 1 - March 31, 2003 € thousands	Change in %
Securities trading	12,403	3,673	237.7
- Interest and dividends	153	30	410
- Securities	6,869	2,641	160.1
- Options and futures	0	-4	100
- Price differences	5,381	1,006	434.9
Foreign currencies	-2	-2	0
Total	12,401	3,671	237.8

(4) NET INCOME FROM AVAILABLE-FOR-SALE FINANCIAL INSTRUMENTS	Jan. 1 - March 31, 2004	Jan. 1 - March 31, 2003	Change
	€ thousands	€ thousands	in %
Interest and dividend income	0	258	-100
- Fixed-interest securities	0	258	-100
- Equities / other non-fixed-interest securities	0	0	0
- Investments in associates	0	0	0
Gain on the sale of available-for-sale financial assets	195	946	-79.4
- Equities / other non-fixed-interest securities	164	0	100
- Investments in associates	31	946	-96.7
Provision for depreciation	682	-229	-
- Depreciations	0	-347	100
- Appreciations	682	118	478
Total	877	975	-10.1

(5) NET INCOME FROM INVESTMENT SECURITIES	Jan. 1 - March 31, 2004	Jan. 1 - March 31, 2003	Change
	€ thousands	€ thousands	in %
Interest income from	39	95	-58.9
- Lending and money market business	0	0	0
- Fixed-interest securities	39	95	-58,9
Provision for depreciation	0	0	0
Total	39	95	-58.9

(6) ADMINISTRATIVE EXPENSES	Jan. 1 - March 31, 2004	Jan. 1 - March 31, 2003	Change
	€ thousands	€ thousands	in %
Staff costs	-6,313	-4,468	41.3
Other administrative expenses	-4,107	-4,076	0.7
Depreciation, amortization and write-downs on intangible assets and property and equipment	-1,334	-815	63.7
Total	-11,754	-9,359	25.6

(7) OTHER INCOME AND EXPENSES	Jan. 1 - March 31, 2004	Jan. 1 - March 31, 2003	Change
	€ thousands	€ thousands	in %
Other operating income	214	2,457	-91.3
Other operating expenses	-58	-88	-34.1
Taxes	-1,354	-344	293.6
Total	-1,198	2,025	-

The profit of € 85,790.22 from the disposal of assets (KST Wertpapierhandels AG) is contained in the position other operating income. The actual tax expense is composed of current taxes at the amount of € 553,672.56 and deferred taxes at the amount of € 800,589.89.

(8) SEGMENT REPORTING	Specialist Activities and proprietary trading	Institutional clients	Issus and equity investments	Others/ Consolidation	Group
Net interest income/expense	-107,921.80	0	0	0	-107,921.80
Allowance for losses	25,369.01	0	0	0	25,369.01
Net interest income/expense after allowance for losses on loans and advances	-82,552.79	0	0	0	-82,552.79
Net fee and commission income/expense	2,214,950.77	393,326.10	95,042.06	0	2,703,318.93
Net trading income	11,190,979.77	1,167,930.12	41,914.97	0	12,400,824.86
Net income/loss from available-for- sale financial instruments	25,386.60	0	851,406.15	0	876,792.75
Net income from at equity carried companies	0	0	0	0	0
Net income from investment securities	39,375	0	0	0	39,375.00
Net income/loss from financing activities	11,255,741.37	1,167,930.12	893,321.12	0	13,316,992.61
Direct allocated administrative expenses	5,157,874.26	1,129,412.39	145,858.16	0	6,433,144.82
Other operating income/expenses, net	133,425.92	60.30	22,247.78	0	155,734.00
Earnings after direct allocated income loss	8,363,691.01	431,904.13	864,752.80	0	9,660,347.93
Indirect allocated administrative expenses	3,928,920.49	1,105,255.00	286,475.00	0	5,320,650.49
Income/loss from ordinary activities	4,434,770.52	-673,350.87	578,277.80	0	4,339,697.44
Risk-weighted assets (thsd. €)	119,479	9,458	10,303		139,240
Allocated capital (thsd. €)	81,844	23,096	5,986		110,926
Return on allocated capital based on income before taxes	5.42 %	-2.92%	9.6%		3.91%
Average number of employees in the half year	85	25	6	64	180

Consolidated Balance Sheet Disclosures

(9) LOANS AND ADVANCES	March 31, 2004	Dec. 31, 2003	Change
	€ thousands	€ thousands	in %
Loans and advances to other banks	18,537	14,059	-31.9
- Payable on demand	18,311	6,794	169.5
- Other loans and advances	226	7,265	-96.9
Loans and advances to customers	2,574	2,864	-10.1
Allowances for losses on loans and advances	-163	-188	-13.3
Total	20,948	16,735	25.2

(10) ASSETS HELD FOR TRADING	March 31, 2004	Dec. 31, 2003	Change
	€ thousands	€ thousands	in %
Bonds and other fixed-interest securities	7,459	671	1,011.6
Equities and other non-fixed-interest securities	22,839	18,265	25
Total	30,298	18,936	60

(11) AVAILABLE-FOR-SALE FINANCIAL INSTRUMENTS	March 31, 2004	Dec. 31, 2003	Change
	€ thousands	€ thousands	in %
Unconsolidated affiliated companies	0	0	0
Investments in associates	3,031	3,110	-2.5
Equities and other non-fixed-interest securities	10,979	12,718	-13.7
Bonds and debt securities	0	8,584	-100
Other equity interests	0	0	0
Total	14,010	24,412	-42.6

(12) INVESTMENTS IN COMPANIES CARRIED AT EQUITY	March 31, 2004	Dec. 31, 2003	Change
	€ thousands	€ thousands	in %
Associated companies	961	1,025	-6.2
Total	961	1,025	-6.2

(13) INVESTMENT SECURITIES	March 31, 2004	Dec. 31, 2003	Change
	€ thousands	€ thousands	in %
Bonds and other fixed-interest securities	3,737	3,697	-1.1
Total	3,737	3,697	-1.1

(14) PROPERTY AND EQUIPMENT	March 31, 2004	Dec. 31, 2003	Change
	€ thousands	€ thousands	in %
Operating and office equipment	2,229	2,290	-2.7
Land and buildings	21,970	22,166	-1.2
Property and equipment under development	0	0	0
Total	24,199	24,456	-1.1

(15) INTANGIBLE ASSETS	March 31, 2004	Dec. 31, 2003	Change
	€ thousands	€ thousands	in %
Concessions, industrial and similar rights and assets	15,056	15,203	-1
Goodwill	0	0	0
Total	15,056	15,203	-1

(16) RECOVERABLE INCOME TAXES	March 31, 2004	Dec. 31, 2003	Change
	€ thousands	€ thousands	in %
Claims for actual overpayment of taxes	1,646	1,475	11.6
Deferred tax assets	27,898	28,624	-2.5
Total	29,544	30,099	-1.8

(17) OTHER ASSETS	March 31, 2004	Dec. 31, 2003	Change
	€ thousands	€ thousands	in %
Other assets	2,816	2,593	8.6
Prepaid expenses	205	227	-9.7
Total	3,021	2,820	7.1

(18) LIABILITIES	March 31, 2004	Dec. 31, 2003	Change
	€ thousands	€ thousands	in %
Deposits from other banks	17,064	15,099	13
- Payable on demand	2,226	320	595.6
- With agreed maturity or notice	14,838	14,779	0.4
Loans and advances to customers	0	0	0
- Payable on demand	0	0	0
Total	17,064	15,099	13

(19) PROVISIONS	March 31, 2004	Dec. 31, 2003	Change
	€ thousands	€ thousands	in %
Provisions for pensions	4,320	4,833	-10.6
Other provisions	1,963	2,675	-26.6
Total	6,283	7,508	-16.3

(20) PROVISIONS FOR TAXES	March 31, 2004	Dec. 31, 2003	Change
	€ thousands	€ thousands	in %
Outstanding actual tax payments	554	0	100
Deferred tax liabilities	594	514	15.6
Total	1,148	514	123.3

(21) OTHER LIABILITIES AND ACCRUALS	March 31, 2004	Dec. 31, 2003	Change
	€ thousands	€ thousands	in %
Other liabilities	6,351	5,675	11.9
Total	6,351	5,675	11.9

Other Disclosures

(22) CONTINGENCIES AND COMMITMENTS	March 31, 2004	Dec. 31, 2003	Change
	€ thousands	€ thousands	in %
Contingent liabilities	170	170	0
- Liabilities on guarantees and warranties	170	170	0
- Liabilities from the granting of security for thirdparty liabilities	0	0	0
Other commitments	0	0	0
- Irrevocable loan commitments	0	0	0

Information on Subsidiaries

Name, Sitz:

Baader Management AG, Unterschleißheim

Equity interest/Share in voting rights:

100,00 %

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