



Quarterly Report I/2005

BAADER
Wertpapierhandelsbank AG

Foreword

Dear Shareholders,

The positive trend of the first quarter of 2004 could not be repeated in the first quarter of 2005. The capital markets were hit by fears of growing inflation and a cooling economy. Higher oil prices, a fear of interest rate hikes and the continuing strength of the euro were responsible for this. Trading volumes declined by more than 15% against Q1/2004.

Despite fluctuations, the DAX recorded a slight gain of 2.2% in Q1. The second-tier stock indices MDAX and SDAX clearly outperformed this figure again at 5.9% and 13.0% respectively. The TecDAX increased by only 1.2%. Even the major foreign indices showed no significant improvement after adjustment for exchange rate effects. The Nikkei 225 rose by 2.7%, and the Dow Jones by 1.8%. The DJ Stoxx 50 also increased slightly (4.1%), whereas the NASDAQ 100 closed down 4.4% at the end of the quarter.

As of January 1, 2005, Baader Wertpapierhandelsbank AG's equity interest in its profitable subsidiary Heins & Seitz Capital Management GmbH, Munich was increased from 50% to 70%.

The sale of a non-strategic investment portfolio to a private equity fund in January 2005 demonstrates the systematic implementation of Baader Wertpapierhandelsbank AG's strategic focus. The total transaction volume amounting to €5.1 million was reported in the annual financial statements for 2004. In the performance tests implemented by the Frankfurt Stock Exchange in February and March 2005, Baader Wertpapierhandelsbank AG emerged as the best specialist activities provider on the exchange. This benchmark is one of the bases for the upcoming redistribution of order books on the first and second segments of the FWB.

Group management report

Result of operations

The first three months of the current fiscal year experienced a clearly poorer stock market environment and hence weaker trading volumes than the first quarter of 2004. The Group recorded a profit from ordinary activities for the first quarter of €602 thousand (previous year: €4,340 thousand). At €7,645 thousand, net trading income trailed the unusually positive result of the previous year (€12,402 thousand).

In contrast, net fee and commission income, at €5,503 thousand, more than doubled against the previous year's €2,702 thousand. Net income from available-for-sale financial instruments remained below last year's figure. The main reason for this is the change in the accounting standard IAS 39, which since January 1, 2005 no longer permits the reversal of impairment losses on available-for-sale financial instruments and their recognition in income. Instead they must be taken directly to the revaluation reserve. In the first quarter, the change in the revaluation reserve resulted in an initial remeasurement gain of €916 thousand relating to available-for-sale financial instruments whose losses were not reversed and recognized in income.

Administrative expenses increased slightly by 6.7%, in particular as a result of increased amortization/depreciation of property and equipment and intangible assets following the investments made last year.

Baader Wertpapierhandelsbank AG reported a net profit after taxes of €316 thousand after the first three months of 2005 (2004: €2,990 thousand).

Net assets

At €161,273 thousand, total assets as of March 31, 2005 decreased slightly (2.8%) as against December 31, 2004 (€165,944 thousand). This is due primarily to the decline in assets held for trading and available-for-sale financial instruments. The changes in equity-accounted investments and goodwill result from the first-time consolidation of Heins & Seitz Capital Management GmbH. As of March 31, 2005, consolidated shareholders' equity amounted to €113,289 thousand and the equity ratio to 70.2%.

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Outlook

Uncertainties also remain in the current quarter due to fluctuations in the euro exchange rate and oil prices. On the basis of the results of the first few weeks of the current quarter, the Executive Board is expecting a muted result for the second quarter as well; however, a net profit for full-year fiscal year 2005 is still forecast.

Accounting policies

In accordance with section 315a HGB, Baader Wertpapierhandelsbank AG prepares its consolidated financial statements in compliance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), as interpreted by the International Financial Reporting Interpretations Committee (IFRIC). The following interim report was prepared in accordance with IAS 34 for the Baader Group as of March 31, 2005. 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, 2004.

Consolidated companies

As of March 31, 2005, the companies included in Baader Wertpapierhandelsbank AG's consolidated financial statements comprise the parent company itself, Baader Management AG, Baader Service Bank GmbH, and Heins & Seitz Capital Management GmbH. All these companies are fully consolidated. Heins & Seitz Capital Management GmbH has been included since January 1, 2005, i.e. with effect from the increase of Baader Wertpapierhandelsbank AG's investment in the company to 70%. The company was previously included as an associate at equity.

Consolidated Balance Sheet

March 31, 2005

ASSETS	Notes	March 31, 2005	Dec. 31, 2004
		€	€ thousands
1, Cash reserve	(8)	892,981.74	161
2, Loans and advances to other banks	(9)	27,932,655.70	25,234
3, Loans and advances to customers	(9)	2,003,533.21	1,343
4, Allowance for losses on loans and advances	(9)	-107,307.61	-167
5, Assets held for trading	(10)	23,100,558.56	27,666
6, Available-for-sale financial instruments	(11)	22,831,600.99	26,529
7, Investments in companies carried at equity	(12)	2,993,817.60	4,017
8, Property and equipment	(13)	23,250,206.83	23,456
9, Intangible assets	(14)	21,990,468.81	23,340
10, Goodwill	(14)	2,408,937.62	963
11, Recoverable income taxes	(15)	1,141,484.24	1,216
12, Other assets	(16)	3,964,756.85	3,300
13, Deferred tax assets	(15)	28,869,725.38	28,886
Total assets		161,273,419.92	165,944

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	March 31, 2005	Dec. 31, 2004
		€	€ thousands
1, Deposits from other banks	(17)	20,451,258.75	24,015
2, Deposits from customers	(17)	13,298,231.49	15,037
3, Provisions	(18)	7,221,417.05	7,098
4, Provisions for taxes	(19)	91,086.11	1
5, Other liabilities and accruals	(20)	5,570,464.08	6,650
6, Deferred tax liabilities	(19)	1,219,604.10	708
7, Minority interest		132,710.72	0
8, Shareholders' equity			
a) Issued capital		22,437,584.00	22,438
b) Share premium		83,148,247.21	83,199
c) Revaluation reserve		868,010.17	279
d) Consolidated net loss		6,834,806.24	6,519
Total liabilities and shareholders' equity		161,273,419.92	165,944

Consolidated Income Statement

INCOME STATEMENT	Notes	€	Jan. 1, - March 31,	Jan. 1, - March 31,
			2005	2004
			€	€ thousands
1, Interest income	(1)	95,193.07		58
2, Interest expense	(1)	-192,230.63		-165
3, Net interest expense	(1)		-97,037.56	-107
4, Allowance for losses on loans and advances			-387.53	25
5, Net interest expense after allowance for losses and advances			-97,425.09	-82
6, Fee and commission income	(2)	8,241,541.10		4,931
7, Fee and commission expense	(2)	-2,738,359.06		-2,229
8, Net fee and commission income	(2)		5,503,182.04	2,702
9, Net trading income	(3)		7,644,934.81	12,402
10, Net income from available-for-sale financial instruments	(4)		-47,504.47	877
11, Net income from investment	(5)		0.00	39
12, Administrative expenses	(6)		-12,545,568.41	-11,754
13, Loss/profit from operations			457,618.88	4,184
14, Other operating income	(7)		223,366.22	214
15, Other operating expenses	(7)		-79,210.53	-58
16, Income from ordinary activities			601,774.57	4,340
17, Income taxes on profit	(7)		-206,184.88	-1,354
18, Net profit for the period before minority interest			395,589.69	2,986
19, Minority interest in net profit			-79,634.91	4
20, Net profit for the period			315,954.78	2,990
21, Accumulated income brought forward			6,518,851.46	2,295
22, Consolidated net profit			6,834,806.24	5,285

	Jan. 1 - March 31,	Jan. 1 - March 31,
	2005	2004
	€	€
Earnings per share	0.01	0.13

Statement of Changes in Equity

	Jan. 1 - March 31, 2005 € thousands	Jan. 1 - March 31, 2004 € thousands
Equity as of January 1	112,435	105,479
Issued Capital		
- Change in treasury shares	0	0
Share premium		
- Change in treasury shares	0	0
- Adjustments from appropriation of profit	0	872
- Currency translation adjustments	0	0
- Adjustments from consolidation	-51	-162
Retained earnings		
- Adjustments to appropriated profit	0	0
- Adjustments from consolidation	0	0
Revaluation reserves		
- Remeasurement	958	-120
- Deferred tax adjustments	-369	46
Consolidated earnings		
- Net profit for the period Jan. 1 - March 31	316	4,811
Equity as of March 31	113,289	110,926

Cash Flow Statement

	Jan. 1 - March 31, 2005 € thousands	Jan. 1 - March 31, 2004 € thousands
Profit for the period (incl. minority interest in net profit)	316	2,990
Cash-Flow from operating activities	7,702	11,034
Cash-Flow from investing activities	-1,041	1,493
Cash-Flow from financing activities	0	0
Net change in cash and cash equivalents	6,661	12,527
Effect of exchange rate adjustments and changes in group structure	99 15,456	-2,916 6,474
Cash and cash equivalents at end of period	22,216	16,085
Composition of cash and cash equivalents at March 31		
Loans and advances to other banks - payable on demand	28,488	18,311
Deposits from other banks - payable on demand	-6,272	-2,226
Cash and cash equivalents	22,216	16,085

Segment Reporting

for the period January 1 to March 31, 2005

in € Thousands	Specialist activities and proprietary trading	Agency business	Capital market services	Others/ Consolidation	Group
Net interest income/expense	-133	33	3	0	-97
Allowance for losses	0	0	0	0	0
Net interest income/expense after allowance for losses on loans and advances	-133	33	3	0	-97
Net fee and commission income/expense	3,742	1,609	152	0	5,503
Net trading income	7,379	679	-413	0	7,645
Net income/expense from available-for-sale financial instruments	40	153	-113	-127	-47
Net income from at equity carried companies	0	0	0	0	0
Net income from investment securities	0	0	0	0	0
Net income/expense from financing activities	7,419	832	-526	-127	7,598
Direct allocated administrative expenses	5,239	2,250	217	0	7,706
Other operating net income/expenses	104	27	13	0	144
Earnings after direct allocated administrative expense	5,893	251	-575	-127	5,442
Indirect allocated administrative expenses	3,407	1,259	174	0	4,840
Income/loss from ordinary activities	2,486	-1,008	-749	-127	602
Risk-weighted assets	81,768	17,596	14,128		113,492
Allocated capital	78,598	29,268	5,423		113,289
Return on allocated capital based on income before taxes	3.2%	-3.4%	-13.8%		0.5%
Average number of employees	89	51	6	67	213

Notes to the Consolidated Income Statement

(1) NET INTEREST INCOME	Jan. 1 - March 31, 2005 € thousands	Jan. 1 - March 31, 2004 € thousands	Change in %
Interest income from	95	58	63.8
- Lending and money market business	95	58	63.8
- Fixed-interest securities	0	0	0,0
Interest expenses	-192	-165	16.4
Total	-97	-107	9.3

(2) NET FEE AND COMMISSION EXPENSE	Jan. 1 - March 31, 2005 € thousands	Jan. 1 - March 31, 2004 € thousands	Change in %
Fee and commission income	8,241	4,931	67.1
- Securities and issue business	1,614	98	>100.0
- Brokerage fees	6,627	4,833	37.1
Fee and commission expenses	-2,738	-2,229	22.8
- Brokerage fees	-656	-583	12.5
- Settlement fees	-1,581	-1,601	-1.2
- Securities and issue business	-462	-11	>100.0
- Other fee and commission expenses	-39	-34	14.7
Total	5,503	2,702	>100.0

(3) NET TRADING INCOME	Jan. 1 - March 31, 2005 € thousands	Jan. 1 - March 31, 2004 € thousands	Change in %
Securities trading	7,630	12,404	-38.5
- Interest and dividends	144	153	-5.9
- Securities	4,580	6,870	-33.3
- Options and futures	-3	0	-
- Price differences	2,909	5,381	-45.9
Foreign currencies	15	-2	-
Total	7,645	12,402	-38.4

(4) NET INCOME FROM AVAILABLE-FOR-SALE FINANCIAL INSTRUMENTS	Jan. 1 - March 31,	Jan. 1 - March 31,	Change
	2005	2004	
	€ thousands	€ thousands	in %
Interest and dividend income	65	0	100,0
- Fixed-interest securities	65	0	100,0
- Equities/other non-fixed-interest securities	0	0	0,0
- Investments in associates	0	0	0,0
Gain on the sale of available-for-sale securities	29	195	-85,1
- Equities/other non-fixed-interest securities	29	164	-82,3
- Investments in associates	0	31	-100,0
Provision for depreciation	-141	682	-
- Depreciations	-141	0	-
- Appreciations	0	682	-100,0
Total	-47	877	-

(5) NET INCOME FROM INVESTMENT SECURITIES	Jan. 1 - March 31,	Jan. 1 - March 31,	Change
	2005	2004	
	€ thousands	€ thousands	in %
Interest income from	0	39	-100,0
- Lending and money market business	0	0	0,0
- Fixed-interest securities	0	39	-100,0
Provision for depreciation	0	0	0,0
Total	0	39	-100,0

(6) ADMINISTRATIVE EXPENSES	Jan. 1 - March 31,	Jan. 1 - March 31,	Change
	2005	2004	
	€ thousands	€ thousands	in %
Staff cost	-6.504	-6.313	3,0
Other administrative expenses	-4.134	-4.107	0,7
Depreciation, amortization and write-downs on intangible assets and property and equipment	-1.908	-1.334	43,0
Total	-12.546	-11.754	6,7

(7) OTHER INCOME AND EXPENSES	Jan. 1 - March 31,	Jan. 1 - March 31,	Change
	2005	2004	
	€ thousands	€ thousands	in %
Other operating income	223	214	4,2
Other operating expenses	-79	-58	36,2
Income	-206	-1.354	-84,8
Total	-62	-1.198	94,8

Consolidated Balance Sheet Disclosures

(8) CASH RESERVE	March 31, 2005	Dec. 31, 2004	Change
	€ thousands	€ thousands	in %
Balance of cash	4	1	>100.0
Assets Deutsche Bundesbank	889	160	>100.0
Total	893	161	>100.0

(9) LOANS AND ADVANCES	March 31, 2005	Dec. 31, 2004	Change
	€ thousands	€ thousands	in %
Loans and advances to other banks	27,933	25,234	10.7
- Payable on demand	27,298	25,008	9.2
- Other loans and advances	635	226	>100.0
Loans and advances to customers	2,003	1,343	49.1
Allowance for losses on loans and advances	-107	-167	-
Total	29,829	26,410	12.9

(10) ASSETS HELD FOR TRADING	March 31, 2005	Dec. 31, 2004	Change
	€ thousands	€ thousands	in %
Bonds and other fixed-income securities	1,952	8,019	-75.7
Equities and other non-fixed-interest securities	21,148	19,647	7.6
Total	23,100	27,666	-16.5

(11) AVAILABLE-FOR-SALE FINANCIAL INSTRUMENTS	March 31, 2005	Dec. 31, 2004	Change
	€ thousands	€ thousands	in %
Unconsolidated affiliated companies	0	0	0.0
Investments in associates	2,930	2,929	0.0
Equities and other non-fixed-interest securities	13,103	16,747	-21.8
Bonds and dept securities	6,799	6,753	0.7
Other equity interests	0	100	-100.0
Total	22,832	26,529	-13.9

(12) INVESTMENTS IN COMPANIES CARRIED AT EQUITY	March 31, 2005	Dec. 31, 2004	Change
	€ thousands	€ thousands	in %
Associated companies	2,994	4,017	-25.5
Total	2,994	4,017	-25.5

(13) PROPERTY AND EQUIPMENT	March 31, 2005	Dec 31, 2004	Change
	€ thousands	€ thousands	in %
Operating and office equipment	1.874	1.870	0,2
Land and buildings	21.376	21.586	-1,0
Property and equipment under development	0	0	0,0
Total	23.250	23.456	-0,9

(14) INTANGIBLE ASSETS	March 31, 2005	Dec. 31, 2004	Change
	€ thousands	€ thousands	in %
Concessions, industrial and similar rights and assets	21.990	23.340	-5,8
Goodwill	2.409	963	>100.0
Total	24.399	24.303	0,4

(15) RECOVERABLE INCOME TAXES	March 31, 2005	Dec. 31, 2004	Change
	€ thousands	€ thousands	in %
Claims for actual overpayment of taxes	1.141	1.216	-6,2
Deferred tax assets	28.870	28.886	-0,1
Total	30.011	30.102	-0,3

(16) OTHER ASSETS	March 31, 2005	Dec. 31, 2004	Change
	€ thousands	€ thousands	in %
Other assets	3.517	3.205	9,7
Prepaid expenses	448	95	>100.0
Total	3.965	3.300	20,2

(17) LIABILITIES	March 31, 2005	Dec. 31, 2004	Change
	€ thousands	€ thousands	in %
Deposits from other banks	20.451	24.015	-14,8
- Payable on demand	6.272	9.713	-35,4
- With agreed maturity or notice	14.179	14.302	-0,9
Loans and advances to customers	13.298	15.037	-11,6
- Payable on demand	13.298	15.037	-11,6
Total	33.749	39.052	-13,6

(18) PROVISIONS	March 31, 2005	Dec. 31, 2004	Change
	€ thousands	€ thousands	in %
Provisions for pensions	5.082	4.801	5,9
Other provisions	2.139	2.297	-6,9
Total	7.221	7.098	1,7

(19) PROVISIONS FOR TAXES	March 31, 2005	Dec. 31, 2004	Change
	€ thousands	€ thousands	in %
Outstanding	91	1	>100.0
Deferred tax liabilities	1,220	708	72.3
Total	1,311	709	84.9

(20) OTHER LIABILITIES AND ACCRUALS	March 31, 2005	Dec. 31, 2004	Change
	€ thousands	€ thousands	in %
Other liabilities	5,570	6,650	-16.2
Total	5,570	6,650	-16.2

(21) CONTINGENCIES AND COMMITMENTS	March 31, 2005	Dec. 31, 2004	Change
	€ thousands	€ thousands	in %
Contingent liabilities	170	170	0.0
- Liabilities on guarantees and warranties	170	170	0.0
- Liabilities from the granting of security for thirdparty liabilities	0	0	0.0
Other commitments	0	0	0.0
- Irrevocable loan commitments	0	0	0.0

Information on consolidated subsidiaries

Name, Headquarters:	Baader Management AG, Unterschleissheim
Equity interest/Share in voting right:	100.00 %
Name, Headquarters:	Baader Service Bank GmbH, Unterschleissheim
Equity interest/Share in voting right:	100.00 %
Name, Headquarters:	Heins & Seitz Capital Management GmbH, Unterschleissheim
Equity interest/Share in voting right:	70.00 %

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