



Quarterly Report II/2004

Foreword

Dear Shareholders,

Stagnating share prices and declining trading volumes dominated the German stock exchanges in Q2 2004. The hike in oil prices, the announcement of interest rate increases in the U.S., the security situation in the Middle East and the unclear outcome of the U.S. presidential elections led to increasing investor uncertainty.

While the DAX, MDAX and SDAX increased slightly by between 1.1% and 7.6%, the TecDAX fell by 2.8%. The performance of the major foreign indices was comparatively moderate. The NASDAQ 100 rose by 6.5% after adjustment for exchange rate effects, while the Dow Jones and DJ Stoxx 50 merely stagnated, with growth of 1.8% and 2.5% respectively. The Nikkei 225 lost 2.6%.

In the first six months of 2004, the MDAX and SDAX rose 14.4%, while the DAX closed almost unchanged (2.2%). The TecDAX increased by 6.7%.

The NASDAQ 100 also rose 6.7% after adjustment for exchange rate effects. On a euro basis, both the DJ Stoxx 50 (3.7%) and the Dow Jones (3.1%) did better than the DAX in H1. The Japanese Nikkei 225 recorded 12% growth.

Baaderbank generated a profit from ordinary activities despite the general decline in trading volumes on the stock exchanges. Specialist activities and Proprietary Trading made the primary contributions to this. The expansion of the core business segments was systematically continued with the takeover of Heribert Schollmeyer Wertpapierhandels GmbH in Frankfurt. The order books taken over include heavyweights such as Nestlé, ABB, Alcatel, Credit Suisse and Fiat, among others. In June SMS-Sobota, Maier & Stopp Wertpapierhandels GmbH in Munich, which manages the orderbooks of all fixed-interest securities on the Official Market and the Regulated Market of the Munich Stock Exchange was taken over. Despite the difficult environment in Q2 2004, Baader Wertpapierhandelsbank AG successfully provided support for three equity transactions (Brain Force Software AG, ARQUES Industries AG and KST Beteiligungs AG) with a total volume of around €40 million.

Group management report

Result of operations

Baader Wertpapierhandelsbank AG substantially improved its net loss after taxes of €506 thousand in H1 2003 to record a net profit after taxes of €4,917 thousand in H1 2004. This drastic improvement in results is attributable to the successful restructuring, the more positive stock market environment in Q1 at least and the anticyclical expansion of our core business segments. Although Q2 2004 was disappointing for all market participants and marked by a further substantial drop in operating business in line with the decline in stock exchange trading volumes, Baader Wertpapierhandelsbank AG generated a profit from ordinary activities of €2,253 thousand thanks to its improved Group structure. Falling administrative expenses plus increased ordinary income turned around the loss from operations recorded in Q2 2003 by €3,830 thousand into a profit from operations of €1,901 thousand in Q2 2004.

The Company will continue to improve its earnings opportunities without appreciably increasing its cost base with activities such as the takeovers of Heribert Schollmeyer Wertpapierhandels GmbH and SMS-Sobota, Maier & Stopp Wertpapierhandels GmbH in the second quarter.

Net assets

At €140,590 thousand, total assets as of June 30, 2004 were up 2.3% on December 31, 2003 (€137,383 thousand). As in Q1 2004, loans and advances to other banks and shareholders' equity increased due to strong results from securities trading. The changes in available-for-sale financial instruments and assets held for trading mainly relate to reclassifications of individual securities within these items. The decline in the loans and advances to customers item primarily affects cash funds. As of June 30, 2004, consolidated shareholders' equity amounted to €112,873 thousand and the equity ratio to 80.3%.

Financial position

On June 30, 2004, short-term loans and advances to other banks and available-for-sale securities and financial instruments amounted to €51,588 thousand, while short-term liabilities to banks totaled €430 thousand. This results in a net balance-sheet liquidity surplus of €51,158 thousand. The Group's liquidity was guaranteed at all times during the period under review.

Outlook

Baader Wertpapierhandelsbank AG is not expecting a stock market upturn and increases in trading volumes before Q4 at the earliest; H2 2004 will therefore remain difficult. The outcome of the U.S. presidential elections and future price developments on the commodities markets, in particular oil prices, will be crucial to stock market developments.

On the basis of the half-yearly figures, Baader Wertpapierhandelsbank AG is expecting positive operating results in the current fiscal year. This should make it possible to pay a dividend again. The Bank's ongoing active role in the consolidation process within the sector has been further underlined by the takeover of Jörg D. Reuter Wertpapierhandels GmbH in July 2004. This takeover makes Baader Wertpapierhandelsbank AG the market leader in specialist activities for derivative products on the Frankfurt Stock Exchange.

Accounting policies

Baader Wertpapierhandelsbank AG makes use of the exempting provision of section 292(a) of the Handelsgesetzbuch (HGB – German Commercial Code). The following interim report was prepared in accordance with IAS 34 for the Baader Group as of June 30, 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

As of June 30, 2004, only Baader Management AG is now included in the consolidated group of Baader Wertpapierhandelsbank AG. KST Wertpapierhandels AG was deconsolidated as of March 31, 2004. We did not consolidate the acquisitions, Heribert Schollmeyer Wertpapierhandels GmbH and SMS-Sobota, Maier & Stopp Wertpapierhandels GmbH, as their operating business has already been transferred in full to Baader Wertpapierhandelsbank AG.

Consolidated Balance Sheet (IAS)

June 30, 2004

ASSETS		June 30, 2004	Dec. 31, 2003
	Notes	€	€thousands
1. Loans and advances to other banks	(9)	26,397,129.56	14,059
2. Loans and advances to customers	(9)	690,104.48	2,864
3. Allowance for losses on loans and advances	(9)	-163,055.37	-188
4. Assets held for trading	(10)	21,414,638.02	18,936
5. Available-for-sale financial instruments	(11)	16,884,989.85	24,412
6. Investments in companies carried at equity	(12)	961,212.46	1,025
7. Investment securities	(13)	3,775,800.00	3,697
8. Property and equipment	(14)	23,876,789.44	24,456
9. Intangible assets	(15)	14,613,186.15	15,203
10. Recoverable income taxes	(16)	1,663,826.67	1,475
11. Other assets	(17)	2,629,754.66	2,820
12. Deferred tax assets	(16)	27,845,979.91	28,624
Total assets		140,590,355.83	137,383

LIABILITIES AND SHAREHOLDERS' EQUITY		June 30, 2004	Dec. 31, 2003
	Notes	€	€thousands
1. Deposits from other banks	(18)	14,825,262.06	15,099
2. Provisions	(19)	6,567,573.46	7,508
3. Provisions for taxes	(20)	882,796.00	0
4. Other liabilities and accruals	(21)	4,870,572.61	5,675
5. Deffered tax liabilities	(20)	570,905.83	514
6. Minority interest		0.00	813
7. Shareholders' equity			
a) Issued capital		22,402,384.00	22,409
b) Share premium		83,540,402.85	82,856
c) revaluation reserve		191,895.34	214
d) Consolidated net loss		6,738,563.68	2,295
Total liabilities and shareholders' equity		140,590,355.83	137,383

Consolidated Income Statement IAS

for the period January 1 to June 30, 2004

INCOME STATEMENT	Notes	€	Jan. 1- June 30,	Jan. 1- June 30,
			2004	2003
			€	€thousands
1. Interest income	(1)	94,519.13		318
2. Interest expense	(1)	-327,410.08		-332
3. Net interest expense	(1)		-232,890.95	-14
4. Allowance for losses on loans and advances			-30,313.32	0
5. Net interest expense after allowance for losses on loans and advances			-263,204.27	-14
6. Fee and commission income	(2)	8,971,510.73		3,227
7. Fee and commission expense	(2)	-3,940,615.02		-2,888
8. Net fee and commission income	(2)		5,030,895.71	339
9. Net trading income	(3)		21,683,361.32	10,975
10. Net income from available-for-sale financial instruments	(4)		842,728.68	1,138
11. Net income from investment securities	(5)		78,312.50	111
12. Administrative expenses	(6)		-21,286,662.14	-19,335
13. Loss from operations			6,085,431.80	-6,786
14. Other operating income	(7)		622,059.87	7,204
15. Other operating expenses	(7)		-115,344.82	-842
16. Income from ordinary activities			6,592,146.85	-424
17. Income taxes on profit (loss)	(7)		-1,679,132.75	-151
18. Net profit for the period before minority interest			4,913,014.10	-575
19. Minority interest in net loss			4,167.50	69
20. Net profit for the period before minority interest			4,917,181.60	-506
21. Accumulated income brought forward			1,821,382.08	0
22. Consolidated net profit			6,738,563.68	-506

	Jan. 1- June 30,	Jan. 1- June 30,
	2004	2003
	€	€
Earnings per share	0.22	-0.02

Statement of Changes in Equity

for the period January 1 to June 30, 2004

	Jan. 1- June 30, 2004 €thousands	Jan. 1- June 30, 2003 €thousands
Equity as of January 1	105,479	106,070
Issued Capital		
- Change in treasury shares	-7	-199
Share premium		
- Change in treasury shares	-26	-218
- Adjustments from appropriation of profit	872	0
- Currency translation adjustments	0	0
- Adjustments from consolidation	-162	291
Retained earnings		
- Adjustments to appropriated profit	0	0
- Adjustments from consolidation	0	0
Revaluation reserves		
- Remeasurement	-35	-1,062
- Deferred tax adjustments	13	408
Consolidated earnings		
- Net profit for the period Jan. 1- June 30	6,739	-506
Equity as of June 30	112,873	104,784

Cash Flow Statement

for the period January 1 to June 30, 2004

CASH FLOW STATEMENT	Jan. 1 - June 30, 2004 €thousands	Jan. 1 - June 30, 2003 €thousands
Loss for the period (incl. minority interest in net loss)	4,917	-506
Cash-Flow from operating activities	24,340	3,603
Cash-Flow from investing activities	-1,976	-8,813
Cash-Flow from financing activities	-33	-417
Net change in cash and cash equivalents	22,331	-5,627
Effect of exchange rate adjustments and changes in group structure	-2,917	2,063
Cash and cash equivalents at beginning of period	6,474	15,595
Cash and cash equivalents at end of period	25,888	12,031
Composition of cash and cash equivalents at June 30		
Loans and advances to other banks - payable on demand	26,171	16,473
Deposits from other banks - payable on demand	-283	-4,442
Cash and cash equivalents	25,888	12,031

Notes to the Consolidated Income Statement

(1) NET INTEREST INCOME	Jan. 1 - June 30,	Jan. 1 - June 30,	Change in %
	2004	2003	
	€thousands	€thousands	
Interest income from	94	318	-70.4
- Lending and money market business	94	318	-70.4
- Fixed-interest securities	0	0	0.0
Interest expenses	-327	-332	-1.5
Total	-233	-14	-1,564.3

(2) NET FEE AND COMMISSION EXPENSE	Jan. 1 - June 30,	Jan. 1 - June 30,	Change in %
	2004	2003	
	€thousands	€thousands	
Fee and commission income	8,971	3,227	178.0
- Securities and issue business	343	143	139.9
- Brokerage fees	8,628	3,084	179.8
Fee and commission expenses	-3,940	-2,888	36.4
- Brokerage fees	-938	-356	163.5
- Settlement fees	-2,933	-2,467	18.9
- Securities and issue business	-33	-10	230.0
- Other fee and commission expenses	-36	-55	-34.5
Total	5,031	339	1,384.1

(3) NET TRADING INCOME	Jan. 1 - June 30,	Jan. 1 - June 30,	Change in %
	2004	2003	
	€thousands	€thousands	
Securities trading	21,685	10,982	97.5
- Interest and dividends	475	169	181.1
- Securities	12,917	7,876	64.0
- Options and Futures	-36	-7	-414.3
- Price differences	8,329	2,944	182.9
Foreign currencies	-2	-7	71.4
Total	21,683	10,975	97.6

(4) NET INCOME FROM AVAILABLE-FOR-SALE FINANCIAL INSTRUMENTS	Jan. 1 - June 30,	Jan. 1 - June 30,	Change in %
	2004	2003	
	€thousands	€thousands	
Interest and dividend income	9	392	-97.7
- Fixed-interest securities	0	350	-100.0
- Equities / other non-fixed-interest securities	9	42	-78.6
- Investments in associates	0	0	0.0
Gain on the sale of available-for-sale financial assets	205	872	-76.5
- Equities / other non-fixed-interest securities	174	-74	-
- Investments in associates	31	946	-96.7
Provision for depreciation	629	-127	-
- Depreciations	-25	-868	-97.1
- Appreciations	654	741	-11.7
Total	843	1,137	-25.9

(5) NET INCOME FROM INVESTMENT SECURITIES	Jan. 1 - June 30,	Jan. 1 - June 30,	Change in %
	2004	2003	
	€thousands	€thousands	
Interest income from	78	111	-29.7
- Lending and money market business	0	0	0.0
- Fixed-interest securities	78	111	-29.7
Provision for depreciation	0	0	0.0
Total	78	111	-29.7

(6) ADMINISTRATIVE EXPENSES	Jan. 1 - June 30,	Jan. 1 - June 30,	Change in %
	2004	2003	
	€thousands	€thousands	
Staff costs	-11,226	-10,047	11.7
Other administrative expenses	-7,362	-7,530	-2.2
Depreciation, amortization and write-downs on intangible assets and property and equipment	-2,699	-1,758	53.5
Total	-21,287	-19,335	10.1

(7) OTHER INCOME AND EXPENSES	Jan. 1 - June 30,	Jan. 1 - June 30,	Change in %
	2004	2003	
	€thousands	€thousands	
Other operating income	622	7,204	-91.4
Other operating expenses	-115	-842	-86.3
Taxes	-1,679	-151	1,011.9
Total	-1,172	6,211	-

(8) SEGMENT REPORTING in €	Specialist activities and proprietary trading	Institutional clients	Issues and equity investments	Others / Consolidation	Group
Net interest income/expense	-235,934.85	0.00	3,043.90	0.00	-232,890.95
Allowance for losses	30,313.32	0.00	0.00	0.00	30,313.32
Net interest income/expense after allowance for losses on loans and advances	-266,248.17	0.00	3,043.90	0.00	-263,204.27
Net fee and commission income/expense	3,909,172.20	787,634.55	334,088.96	0.00	5,030,895.71
Net trading income	19,528,482.80	2,112,963.55	41,914.97	0.00	21,683,361.32
Net income/loss from available- for-sale financial instruments	34,136.53	0.00	808,592.15	0.00	842,728.68
Net income from at equity carried companies	0.00	0.00	0.00	0.00	0.00
Net income from investment securities	78,312.50	0.00	0.00	0.00	78,312.50
Net income/loss from financing activities	19,640,931.83	2,112,963.55	850,507.12	0.00	22,604,402.50
Direct allocated administrative expenses	8,849,578.07	2,420,484.29	385,351.21	0.00	11,655,413.57
Other operating income/expenses net	471,359.17	2,768.88	32,587.00	0.00	506,715.05
Earnings after direct allocated income loss	14,905,636.96	482,882.69	834,875.77	0.00	16,223,395.42
Indirect allocated administrative expenses	6,997,302.57	2,123,934.00	510,012.00	0.00	9,631,248.57
Income/loss from ordinary activities	7,908,334.39	-1,641,051.31	324,863.77	0.00	6,592,146.85
Risk-weighted assets (thsd. €)	66,327	9,775	10,871		86,973
Allocated capital (thsd. €)	82,254	24,690	5,929		112,873
Return on allocated capital based on income before taxes	9.61%	-6.65%	5.48%		5.84%
Average number of employees	86	27	6	64	183

Consolidated Balance Sheet Disclosures

(9) LOANS AND ADVANCES	June 30, 2004	Dec. 31, 2003	Change
	€thousands	€thousands	in %
Loans and advances to other banks	26,397	14,059	87.8
- Payable on demand	26,171	6,794	285.2
- Other loans and advances	226	7,265	-96.9
Loans and advances to customers	690	2,864	-75.9
Allowances for losses on loans and advances	-163	-188	-13.3
Total	26,924	16,735	60.9

(10) ASSETS HELD FOR TRADING	June 30, 2004	Dec. 31, 2003	Change
	€thousands	€thousands	in %
Bonds and other fixed-interest securities	8,981	671	1,238.5
Equities and other non-fixed-interest securities	12,434	18,265	-31.9
Total	21,415	18,936	13.1

(11) AVAILABLE-FOR-SALE-FINANCIAL INSTRUMENTS	June 30, 2004	Dec. 31, 2003	Change
	€thousands	€thousands	in %
Unconsolidated affiliated companies	2,900	0	100.0
Investments in associates	2,929	3,110	-5.8
Equities and other non-fixed-interest securities	11,056	12,718	-13.1
Bonds and debt securities	0	8,584	-100.0
Other equity interests	0	0	0.0
Total	16,885	24,412	-30.8

(12) INVESTMENTS IN COMPANIES CARRIED AT EQUITY	June 30, 2004	Dec. 31, 2003	Change
	€thousands	€thousands	in %
Associated companies	961	1,025	-6.2
Total	961	1,025	-6.2

(13) INVESTMENT SECURITIES	June 30, 2004	Dec. 31, 2003	Change
	€thousands	€thousands	in %
Bonds and other fixed-interest securities	3,776	3,697	2.1
Total	3,776	3,697	2.1

(14) PROPERTY AND EQUIPMENT	June 30, 2004	Dec. 31, 2003	Change
	€thousands	€thousands	in %
Operating and office equipment	2,022	2,290	-11.7
Land and buildings	21,855	22,166	-1.4
Property and equipment under development	0	0	0.0
Total	23,877	24,456	-2.4

(15) INTANGIBLE ASSETS	June 30, 2004	Dec. 31, 2003	Change
	T€	T€	in %
Concessions, industrial and similar rights and assets	14,613	15,203	-3.9
Goodwill	0	0	0.0
Total	14,613	15,203	-3.9

(16) RECOVERABLE INCOME TAXES	June 30, 2004	Dec. 31, 2003	Change
	€thousands	€thousands	in %
Claims for actual overpayment of taxes	1,664	1,475	12.8
Deferred tax assets	27,846	28,624	-2.7
Total	29,510	30,099	-2.0

(17) OTHER ASSETS	June 30, 2004	Dec. 31, 2003	Change
	€thousands	€thousands	in %
Other assets	2,490	2,593	-4.0
Prepaid expenses	140	227	-38.3
Total	2,630	2,820	-6.7

(18) LIABILITIES	June 30, 2004	Dec. 31, 2003	Change
	T€	T€	in %
Deposits from other banks	14,825	15,099	-1.8
- Payable on demand	282	320	-11.9
- With agreed maturity or notice	14,543	14,779	-1.6
Loans and advances to customers	0	0	0.0
- Payable on demand	0	0	0.0
Total	14,825	15,099	-1.8

(19) PROVISIONS	June 30, 2004	Dec. 31, 2003	Change
	€thousands	€thousands	in %
Provisions for pensions	4,457	4,833	-7.8
Other provisions	2,110	2,675	-21.1
Total	6,567	7,508	-12.5

(20) PROVISIONS FOR TAXES	June 30, 2004	Dec. 31, 2003	Change
	T€	T€	in %
Outstanding actual tax payments	883	0	100.0
Deferred tax liabilities	571	514	11.1
Total	1,454	514	182.9

(21) OTHER LIABILITIES AND ACCRUALS	June 30, 2004	Dec. 31, 2003	Change
	€thousands	€thousands	in %
Other liabilities	4,871	5,675	-14.2
Total	4,871	5,675	-14.2

(22) CONTINGENCIES AND COMMITMENTS	June 30, 2004 €thousands	Dec. 31, 2003 €thousands	Change 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 Subsidiaries

Name, Headquarters:	Baader Management AG, Unterschleissheim
Equity interest / Share in voting rights:	100,00 %

Baader Wertpapierhandelsbank AG
Weißenstephaner Straße 4
85716 Unterschleißheim
Tel. 089 / 5150 - 0
Fax 089 / 5150 - 1111
www.baaderbank.de
E-Mail: info@Baaderbank.de

