



Semi - Annual - Report 2007

/ BAADER /

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Interim Group Management Report

1. Business and market environment

Favourable economic prospects helped to propel the German indices to record highs. In June, the DAX reached the highest level in its history. With growth of more than 21% since the end of the previous year, it is the most successful of the share price barometers in the key industrialised nations. Developments on the other German indices were no less positive, with both the MDAX and the SDAX recording growth of 17%, while the TecDAX technology index rose by just under 24%. By comparison, the DJ STOXX 50, the leading European index, added just 9% to its level at year-end 2006, while the NIKKEI 225 in Japan remained unchanged as against the end of the previous year after adjustment for currency effects. Despite the crisis on the mortgage market and fears of rising interest rates, the U.S. Dow Jones Industrial Average and Nasdaq100 indices recorded growth of 5% and 7% respectively.

In the BRIC countries, the Chinese equity index in Shanghai remains the market-leader, rising by 91% after adjustment for currency effects. Brazil improved by 32% and India recorded growth of 13%, while the RTS equity index in Russia fell by 4% after adjustment for currency effects. Mexico stood out among the emerging economies with growth of 15%, whereas the Hang Seng in Hong Kong increased by just 6% in the first half of the year.

Fewer companies than expected went public in the first half of 2007, with a total of 19 companies placing an issuing volume of around EUR 3.11 billion. The companies making their stock exchange debut included Gerresheimer, which was responsible for the largest IPO in the first six months of the year with an issuing volume of EUR 1.01 billion.

In the first half of 2007, Baader Wertpapierhandelsbank AG accompanied 16 capital measures with a total volume of EUR 140 million. This included five IPOs: ARISTON Real Estate AG, SMT Scharf AG, Blue Cap AG, Deutsche Technologie Beteiligungen AG and STEICO AG, the latter of which was implemented in conjunction with HSBC Trinkaus & Burkhardt AG.

At 30 June 2007, Baader Wertpapierhandelsbank AG managed a total of 156,322 order books, up 83% on the first half of 2006. 11,666 of the order books related to equities, 135,224 to warrants, certificates and ETFs, 8,215 to bonds and profit participation certificates, and 1,217 to investment funds.

Baader Wertpapierhandelsbank AG lost a small proportion of its market share following the introduction of the new rules and regulations on the Frankfurt Stock Exchange; however, the positive market environment means that this has not had a significant impact on its operating results. The redistribution on the Munich Stock Exchange resulted in a substantial improvement in the Bank's earnings from specialist activities in Munich.

The General Meeting of Baader Wertpapierhandelsbank AG on 26 June 2007 resolved a dividend distribution of EUR 0.25 per share; this amount was distributed in the same month.

Events after the balance sheet date

According to the ad hoc disclosure published on 18 July 2007, Baader Wertpapierhandelsbank AG has increased its interest in Conservative Concept Portfolio Management AG, Bad Homburg, to 55.36%. This increase is intended to underline and, in particular, further intensify the successful cooperation enjoyed to date.

2. Results of operations

At EUR 7,092 thousand, the Group's profit from ordinary activities in the second quarter of 2007 improved significantly as against the same period of the previous year (EUR 4,942 thousand). This is primarily attributable to the two key components of operating profit, namely net fee and commission income and net trading income, which increased substantially year-on-year from EUR 20,259 thousand to EUR 24,119 thousand. Net interest income also improved significantly by EUR 202 thousand to EUR 360 thousand.

All in all, the profit from ordinary activities for the first six months of 2006 was positively impacted by gains from the disposal of available-for-sale financial assets in the amount of EUR 4.9 million. The non-recurrence of this extraordinary effect, together with higher administrative expenses, means that the profit from ordinary activities for the first half of 2007 amounted to EUR 18,905 thousand compared with EUR 23,160 thousand in the same period of the previous year.

After taxes in the amount of EUR 4,915 thousand and minority interests of EUR 13 thousand, consolidated net profit for the period amounted to EUR 13,977 thousand (previous year: EUR 17,010 thousand). Earnings per share amounted to EUR 0.31 after EUR 0.38 in the corresponding prior-year period.

The increase in administrative expenses from EUR 33,691 thousand to EUR 38,604 thousand is largely directly attributable to the growth in the Bank's workforce, which increased by approximately 50 employees. This is reflected in the staff costs of EUR 23,455 (previous year: EUR 21,135 thousand), as well as non-labour operating costs of EUR 11,915 thousand (previous year: EUR 9,494 thousand). The intensification of the Group's activities in business areas that will only become profitable in the future, such as foreign markets, MiFIS and alternative investments, and the resulting expansion of the Group will serve to heighten the demands made in terms of staff capacities and the technical infrastructure.

3. Net assets

Total assets increased slightly by 3.5% to EUR 256,223 thousand as of 30 June 2007, compared with EUR 247,589 thousand as of 31 December 2006. This is primarily due to the increase in loans and advances to other banks, which rose from EUR 63,439 thousand to EUR 75,271 thousand, while assets held for trading and loans and advances to customers decreased significantly. The EUR 1,461 thousand increase in equity-accounted investments is attributable to the acquisition and realisation of proportional gains from investment funds in which the Bank holds an interest of more than 20%, as well as the reversal of an impairment loss on an investment. Other assets increased significantly as a result of the prepayment on the convertible bond issued by Parsoli Corporation Ltd., among other things. Deferred tax assets declined as a result of the partial utilisation of tax loss carryforwards.

The Group's shareholders' equity amounted to EUR 157,437 thousand as of 30 June 2007 (31 December 2006: EUR 152,626 thousand), corresponding to an equity ratio of 61.4%. The increase in shareholders' equity is primarily attributable to the strong earnings performance in the first six months of the current financial year, although this was offset to an extent by the dividend distribution in June 2007.

4. Financial position

At 30 June 2007, short-term loans and advances to other banks and available-for-sale marketable securities in the amount of EUR 132,029 thousand were offset by current liabilities of EUR 45,011 thousand, resulting in a net liquidity surplus of EUR 87,018 thousand. The Group's liquidity was secured at all times during the period under review.

5. Risk report

Risk types

Our risk management activities take into account the following four risk types:

- In the area of default risk, a distinction is made between the counterparty and issuer risk that is inherent to the Group's trading activities, traditional credit risk, investment risk and country risk.
- Market risk is the risk of a fluctuation in the value of a given item due to changes in market prices, e.g. share prices, exchange rates, interest rates and volatility. By contrast, raw material price risk is not a relevant form of market risk for the Group.
- Liquidity risks may arise in the event of a lack of liquidity preventing us from meeting our payment obligations as they fall due.
- Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events; this also includes legal risks.

The Bank is essentially also exposed to reputational risk and a general business risk due to changes in conditions, particularly on the stock markets.

Default risk

Within the Group, lending business as defined by section 1 (1) no. 2 of the German Banking Act is performed exclusively by Baader Service Bank GmbH. This guarantees customers (non-genuine) Lombard loans against collateral in listed securities, the lending value of which is set at an extremely conservative level. Credit risk is managed on a decentralised basis and can generally be classified as low. The following table shows the Group's credit exposure as of 30 June 2007:

	Total credit exposure in EUR millions	Drawdowns in EUR millions	Unutilised loan commitments in EUR millions	Overdue by 90 days or more as % of total exposure
Private customers	5.51	1.68	3.82	0.00%
Corporate customers	4.43	0.11	4.32	0.00%

In the course of its lending activities, the Group otherwise only enters into money market transactions with banks with a term of less than one year. Money market facilities are available for such transactions on the basis of credit checks resulting in corresponding lending decisions.

The activities performed by the Group's other subsidiaries mean that they are not exposed to any additional material credit risk. Accordingly, all the credit risks described below relate to Baader Wertpapierhandelsbank AG.

As a matter of principle, all of Baader AG's securities transactions are settled on a delivery versus payment basis and regulated by the settlement banks. Consequently, any counterparty risk arising from trading activities is negligible. In addition, the Bank does not hold any positions in derivative financial instruments that could result in a relevant replacement risk. The only exception to this is the settlement and brokerage of promissory note loan transactions: the payment and real settlement of these transactions do not occur concurrently, meaning that, in this case, Baader is subject to counterparty risk in the sense of an advance payment risk. At the end of June 2007, this advance payment risk amounted to approximately EUR 1.66 million in accordance with Principle I.

Issuer limits must be complied with during the course of the day, and are designed in such a way as to ensure that regulatory limits on large loans cannot be exceeded. The largest individual exposures in the Bank's trading book are all realisable at short notice.

With the exception of the Parsoli exposure (India), the positions with an inherent country risk at the end of the first six months of the year are essentially negligible, and can all be realised at short notice.

Market risk

Market risk is the risk of a fluctuation in the value of a given item due to changes in market prices, e.g. share prices, exchange rates, interest rates and volatility.

In the past year, only Baader Wertpapierhandelsbank AG and, to an extremely limited extent, Baader Service Bank GmbH were exposed to market price risk. At the end of the quarter, the Bank had risk positions with the following market values in EUR millions:

CASH MARKET		FORWARD MARKET	
EQUITIES	27.15	OPTIONS	0.00
BONDS	5.79	FUTURES	0.00
FUNDS, INDEX- AND FUNDS-LINKED CERTIFICATES	20.68	SWAPS	6.58
SECURITISED DERIVATIVES	1.94		

Market risk is measured using a value-at-risk (VaR) model based on Monte Carlo simulations, applying a one-day holding period and a confidence level of 99%. The input risk parameters are determined using a variance-covariance matrix based on the Bank's own historical summaries, which are exponentially weighted. VaR and limit utilisation are calculated both overnight and throughout the day.

The following VaR values were calculated in previous years (in EUR million):

Value-at-risk of the trading segments	2001	2002	2003	2004	2005	2006	2007 Q1	2007 Q2
VaR at the end of the period	0.34	0.73	0.65	0.74	0.83	0.78	0.95	1.13
Minimum VaR	0.31	0.19	0.41	0.70	0.51	0.68	0.73	1.03
Maximum VaR	4.90	1.10	1.48	1.73	1.46	2.84	1.83	1.58
Average VaR	1.26	0.40	1.12	1.04	0.84	1.19	1.01	1.17

However, the internal model for measuring market risk positions as described above is not used for regulatory notification purposes. The overall capital ratio of the Baader Group in accordance with Principle I remained essentially unchanged as against the previous quarter, amounting to 42.1% at the reporting date. The capital ratio of Baader Wertpapierhandelsbank AG increased by 5.1% to 37.1%.

Liquidity risk

The Bank's medium to long-term liquidity surplus is calculated regularly and is used to manage excess liquidity, as well as forming the basis for investment decisions.

6. Outlook

Baader Wertpapierhandelsbank AG expects to record further revenue growth in the second half of the year. The global economic upturn and additional improvements in company productivity are likely to ensure that the market environment remains intact. According to past experience, this development will be reflected in net fee and commission income in particular. Risk factors will again include rising energy prices and the central banks' interest rate policy in response to initial signs of inflation.

When the new German Financial Market Directive Implementation Act comes into force on 1 November 2007, thus implementing the requirements of the European Union's MiFID Directive in German law, Baader Wertpapierhandelsbank AG will be able to offer MiFID-compliant services to financial institutions. Baader Wertpapierhandelsbank AG believes that it will be able to set itself apart from its competitors in the area of best execution in particular.

Additional transactions in the area of capital market services are planned for the remainder of the current financial year; this will have a positive effect on the Bank's overall earnings situation.

On account of its capital resources, highly qualified workforce and IT infrastructure, Baader Wertpapierhandelsbank remains well positioned in its core business areas and is able to react to major developments on the capital markets at an early stage; accordingly, the Bank is forecasting a further increase in operating income throughout the rest of the 2007 financial year.

Unterschleissheim, 18 July 2007
Baader Wertpapierhandelsbank AG
Board of Directors

Uto Baader

Dieter Brichmann

Stefan Hock

Christopher Schütz

Dieter Silmen

Consolidated Balance Sheet (short form)
June 30, 2007

ASSETS	Notes	June 30, 2007	Dec. 31, 2006
			€ thousands
1. Cash reserve	(3)	5,425,043.04	485
2. Loans and advances to other banks	(4)	75,270,519.38	63,439
3. Loans and advances to customers	(4)	6,188,162.02	13,056
4. Allowance for losses on loans and advances	(4)	-61,982.99	-110
5. Assets held for trading	(5)	41,194,573.33	49,013
6. Available-for-sale financial instruments	(6)	24,277,033.81	23,268
7. Equity-accounted investments	(7)	14,771,278.12	11,789
8. Property and equipment	(8)	21,221,703.37	21,498
9. Intangible assets	(9)	14,945,636.60	17,412
10. Goodwill	(9)	4,159,567.63	4,160
11. Income tax assets	(10)	11,851,159.05	11,627
12. Other assets	(11)	13,429,144.99	6,376
13. Deferred tax assets	(10)	23,550,798.60	25,576
Total assets		256,222,636.95	247,589

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	June 30, 2007	Dec. 31, 2006
		€	€ thousands
1. Deposits from other banks	(12)	25,362,239.60	26,444
2. Amounts due to customers	(12)	32,243,418.23	31,999
3. Liabilities held for trading	(13)	58,367.27	35
4. Provisions	(14)	20,435,316.72	19,456
5. Income tax liabilities	(15)	3,457,888.16	1,642
6. Other liabilities	(16)	14,499,404.92	11,550
7. Deferred tax liabilities	(15)	2,729,146.83	3,837
8. Shareholders' equity	(17)	157,436,855.22	152,626
Total liabilities and shareholders's equity		256,222,636.95	247,589

Consolidated Income Statement (cumulative)

for the period January 1 to June 30, 2007

			Jan. 1 - June 30, 2007	Jan. 1 - June 30, 2006
	Notes	€	€	€ thousands
1. Interest income	(18)	1,087,420.13		425
2. Interest expense	(18)	-569,144.98		-393
3. Net interest income/expense	(18)		518,275.15	32
4. Allowance for losses on loans and advances	(19)		200.00	-9
5. Net interest income/expense after allowance for losses on loans and advances			518,475.15	23
6. Fee and commission income	(20)	35,461,615.85		28,176
7. Fee and commission expense	(20)	-10,295,665.62		-8,576
8. Net fee and commission income/expense	(20)		25,165,950.23	19,600
9. Net trading income	(21)		29,766,156.45	30,712
10. Net income/expense from available-for-sale financial instruments	(22)		32,927.75	5,564
11. Net income from equity-accounted investments	(23)		1,356,892.30	79
12. Administrative expenses	(24)		-38,603,888.86	-33,691
13. Profit from operations			18,236,513.02	22,287
14. Other operating income	(25)		865,803.04	1,137
15. Other Operating expenses	(25)		-197,222.35	-265
16. Profit from ordinary activities			18,905,093.71	23,159
17. Income taxes on profit from ordinary activities	(26)		-4,915,324.36	-6,134
18. Net profit for the period before minority interests			13,989,769.35	17,025
19. Minority interests in net profit for the period			-13,212.73	-15
20. Net profit for the period			13,976,556.62	17,010
21. Accumulated income brought forward			3,732,336.42	12,195
22. Consolidated net profit/loss			17,708,893.04	29,205

			Jan. 1 - June 30, 2007	Jan. 1 - June 30, 2006
	Notes	€	€	€ thousands
Earnings per share			0.31	0.38

Income Statement Quarterly Overview

	II/2007 T€	I/2007 T€	II/2006 T€	I/2006 T€
1. Net interest income/expense	360	158	60	-28
2. Allowance for losses on loans and advances	0	0	3	-12
3. Net interest income/expense after allowance for losses on loans and advances	360	158	63	-40
4. Net fee and commission income/expense	11,495	13,671	9,649	9,952
5. Net trading income	12,624	17,142	10,612	20,100
6. Net income/expense from available-for-sale financial instruments	66	-33	618	4,945
7. Net income/expense from equity-accounted investments	265	1,092	-239	318
8. Administrative expenses	-18,164	-20,440	-16,414	-17,277
9. Profit/loss from operations	6,646	11,590	4,289	17,998
10. Other operating income	531	335	855	282
11. Other operating expense	-85	-112	-203	-62
12. Profit/loss from ordinary activities	7,092	11,813	4,941	18,218
13. Income taxes on profit from ordinary activities	-1,844	-3,071	-1,194	-4,940
14. Net profit/loss for the period before minority interest	5,248	8,742	3,747	13,278
15. Minority interest in net profit/loss	100	-113	-4	-11
16. Net profit/loss for the period	5,348	8,629	3,743	13,267

Statement of changes in equity as of 30 June 2007

	Issued capital	Share premium	Retained earnings	Revaluation reserve	Currency translation reserve	Consolidated net profit	Total before minority interests	Minority interests	Shareholder's equity
in € thousands									
Shareholders' equity as of 31 Dec. 2005	22,602	83,473	0	8,687	0	12,195	126,957	133	127,090
Consolidated net profit for the period						30,572	30,572		30,572
Transfer to retained earnings			8,000			-8,000	0		0
Gains/losses								81	81
Net change in the revaluation reserve				-2,562			-2,562		-2,562
Net change in the currency reserve					-1		-1		-1
Comprehensive net profit for 2006	0	0	8,000	-2,562	-1	22,572	28,009	81	28,090
Capital increases	22,954	-22,954					0		0
Changes in treasury shares	-63	459					396		396
Gains/losses (previous year)							0	-80	-80
Dividends						-4,086	-4,086		-4,086
Changes in the consolidated group/ other changes						-13	-13	1,229	1,216
Shareholders' equity as of 31 Dec. 2006	45,493	60,978	8,000	6,125	-1	30,668	151,263	1,363	152,626
Consolidated net profit for the period						13,977	13,977		13,977
Transfer to retained earnings			15,570			-15,570	0		0
Gains/losses							0	13	13
Net change in the revaluation reserve				1,886			1,886		1,886
Net change in the currency reserve					-6		-6		-6
Comprehensive net profit by 30 June 2007	0	0	15,570	1,886	-6	1,593	15,857	13	15,870
Capital increases		301					301		301
changes in treasury Shares	-51	-314					-365		-365
Dividends						-11,366	-11,366		-11,366
Changes in the consolidated group/ other changes							0	371	371
Shareholders' equity as of 30 June 2007	45,442	60,965	23,570	8,011	-7	17,709	155,690	1,747	157,437

Cash Flow Statement

for the period January 1 to June 30, 2007

	Jan. 1 - June 30, 2007 € thousands	Jan. 1 - June 30, 2006 € thousands
Net profit for the period (incl. minority interests in net profit)	13,977	17,010
Non-cash items contained in net profit for the period and reconciliation to net cash from operating activities	2,895	2,237
Subtotal	13,977	17,010
Change in assets and liabilities from operating activities	699	-18,133
Net cash from operating activities	14,676	-1,123
Net cash used in investing activities	-1,206	-3,480
Net cash uses in financing activities	-11,425	385
Net change in cash and cash equivalents	2,045	-4,218
Effect of exchange rate adjustments and changes in Group structure	0	0
Cash and cash equivalents at beginning of period	485	2,586
Cash and cash equivalents at end of period	2,530	-1,632
Composition of cash and cash equivalents at 30 June		
Cash reserve	5,425	605

The cash flow statement presents the composition of, and changes in, cash and cash equivalents during the financial year. It is broken down into cash flows from operating, investing and financing activities. The purpose of this classification is to illustrate how cash and cash equivalents are generated within the Group and how they were used in the financial year.

In contrast to the previous year, cash and cash equivalents are composed exclusively of the cash reserve, i.e. cash in hand and deposits with Deutsche Bundesbank. The prior-period figures have been restated accordingly. Whereas the activities of the parent were dominant until the end of the previous financial year, the significance of Baader Service Bank GmbH, a bank within the meaning of section 1 of the German Banking Act, has increased substantially in the current financial year. For this reason, it is more appropriate to no longer define cash and cash equivalents as the net amount of loans and advances to other banks and deposits from other banks payable on demand, but as the cash reserve based on the usual definition used by banks.

The informative value of the cash flow statements for banks is limited. For us, the cash flow statement neither replaces liquidity/financial planning, nor is it employed as a management instrument.

Notes (short form)

(1) Accounting principles

In accordance with Regulation (EG) 1606/2002 of the European Parliament and of the Council dated 19 July 2002 and Regulation (EG) 2086/2004 of the European Commission, the interim financial statements of Baader Wertpapierhandelsbank AG as of 30 June 2007 were prepared on the basis of the International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs) issued and published by the International Accounting Standards Board (IASB). These financial statements are based on the IASs/IFRSs that have been endorsed by the European Commission and are consistent with IAS 34 (Interim Financial Reporting). The same accounting policies were applied to this interim report as to the consolidated financial statements for the year ended 31 December 2006.

(2) Basis of consolidation

There were no changes in the companies included in consolidation for the purposes of the interim report as of 30 June 2007 compared with the consolidated financial statements for the year ended 31 December 2006. In addition to the parent company Baader Wertpapierhandelsbank AG, the consolidated financial statements include six subsidiaries in which Baader Wertpapierhandelsbank AG holds a direct or indirect interest of more than 50% or over which it exercises a controlling influence.

NOTES TO THE CONSOLIDATED BALANCE SHEET

(3) CASH RESERVE	30 Jun. 2007 € thousand	31 Dec. 2006 € thousand	Change in %
Cash in hand	0	0	0.0
Deposits with Deutsche Bundesbank	5,425	485	>100.0
Total	5,425	485	>100.0

The increase in the total assets of Baader Service Bank GmbH means that the latter is required to maintain a higher minimum reserve at Deutsche Bundesbank.

(4) LOANS AND ADVANCES	30 Jun. 2007 € thousands	31 Dec. 2006 € thousands	Change in %
Loans and advances to other banks	75,271	63,439	18.7
- payable on demand	58,038	55,775	4.1
- other loans and advances	17,233	7,664	>100.0
Loans and advances to customers	6,188	13,056	-52.6
Allowances for losses on loans and advances	-62	-110	-43.6
Total	81,397	76,385	6.6

Other loans and advances (loans and advances to other banks) have a remaining term of up to one year. Loans and advances to customers are payable on a daily basis. The significant reduction in loans and advances to customers is due to the settlement of receivables from SPAG (equity repayment claim).

(5) ASSETS HELD FOR TRADING	30 Jun. 2007	31 Dec. 2006	Change
	€ thousands	€ thousands	in %
Bonds and other fixed-interest securities	7,446	5,287	40.8
Equities and other non-fixed-interest securities	33,691	43,675	-22.9
Positive fair values of derivatives	57	51	11.8
Total	41,194	49,013	-16.0

(6) AVAILABLE-FOR-SALE FINANCIAL INSTRUMENTS	30 Jun. 2007	31 Dec. 2006	Change
	€ thousands	€ thousands	in %
Equity investments	6,628	5,180	28.0
Equities and other non-fixed-interest securities	13,636	14,119	-3.4
Bonds and debt securities	4,013	3,969	1.1
Total	24,277	23,268	4.3

(7) EQUITY-ACCOUNTED INVESTMENTS	30 Jun. 2007	31 Dec. 2006	Change
	€ thousands	€ thousands	in %
Associates	3,643	2,825	29.0
Investment fund units	11,128	8,964	24.1
Total	14,771	11,789	25.3

(8) PROPERTY AND EQUIPMENT	30 Jun. 2007	31 Dec. 2006	Change
	€ thousands	€ thousands	in %
Operating and office equipment	1,537	1,430	7.5
Land and buildings	19,685	20,068	-1.9
Total	21,222	21,498	-1.3

(9) INTANGIBLE ASSETS AND GOODWILL	30 Jun. 2007	31 Dec. 2006	Change
	€ thousands	€ thousands	in %
Software	4,986	5,936	-16.0
Order books	7,854	9,250	-15.1
Trading strategies	2,106	2,226	-5.4
Goodwill	4,160	4,160	0.0
Total	19,106	21,572	-11.4

(10) INCOME TAX ASSETS	30 Jun. 2007	31 Dec. 2006	Change
	€ thousands	€ thousands	in %
Current tax claims from overpayment of taxes	11,851	11,627	1.9
Deferred tax assets	23,551	25,576	-7.9
Total	35,402	37,203	-4.8

In accordance with IAS 12.48, current and deferred tax assets and liabilities are usually to be measured using the tax rates and tax laws that have been enacted at the preparation date of the financial statements. In jurisdictions where announcements of tax rates and tax laws by the government have the substantive effect of actual enactment, however, current and deferred tax assets and liabilities are measured using the announced tax rates and tax laws with effect from the date of their announcement.

In Germany, the announcement of tax rates and tax laws within the meaning of IAS 12.48 is deemed to have taken place when the resolutions approving their enactment are passed by the lower and upper houses of the German parliament (*Bundestag* and *Bundesrat*). Whereas the *Bundestag* adopted the German Corporate Tax Act 2008 on 25 May 2007, the approval and adoption of the Act by the *Bundesrat* did not take place until 6 July 2007. Accordingly, no announcement within the meaning of IAS 12.48 had taken place by the reporting date of these interim financial statements, meaning that the 2008 corporate tax reform in Germany did not affect the measurement of tax assets and liabilities in IFRS financial statements for periods ending 30 June 2007.

Accordingly, the consequences of the tax reform will be applied for the first time in the quarterly report for the period ending 30 September 2007. When the 2008 corporate tax reform comes into effect, the tax rate for the Group will fall from around 38% at present to less than 30%.

(11) OTHER ASSETS	30 Jun. 2007	31 Dec. 2006	Change
	€ thousands	€ thousands	in %
Other assets	12,897	6,146	>100.0
Prepaid expenses	532	230	>100.0
Total	13,429	6,376	>100.0

Other assets contain an advance payment for a convertible bond issued by Parsoli Corporation Ltd., India, in the amount of EUR 4,959 thousand. The issue has yet to be divided into individual securities and entered in the Bank's security account.

(12) LIABILITIES	30 Jun. 2007	31 Dec. 2006	Change
	€ thousands	€ thousands	in %
Deposits from other banks	25,362	26,444	-4.1
- payable on demand	12,608	13,423	-6.1
- with agreed maturity	12,754	13,021	-2.1
Amounts due to customers	32,244	31,999	0.8
- payable on demand	32,244	31,999	0.8
Total	57,606	58,443	-1.4

Deposits from other banks with agreed maturity relate to a loan for the refinancing of the Group's business premises and have a remaining maturity of between one and five years.

(13) LIABILITIES HELD FOR TRADING	30 Jun. 2007	31 Dec. 2006	Change
	€ thousands	€ thousands	in %
Negative fair values of derivatives	58	35	65.7
Total	58	35	65.7

(14) PROVISIONS	30 Jun. 2007	31 Dec. 2006	Change
	€ thousands	€ thousands	in %
Provisions for pensions	7,032	6,412	9.7
Other provisions	13,403	13,044	2.8
Total	20,435	19,456	5.0

(15) INCOME TAX LIABILITIES AND DEFERRED TAX LIABILITIES	30 Jun. 2007	31 Dec. 2006	Change
	€ thousands	€ thousands	in %
Current tax liabilities	3,458	1,642	>100.0
Deferred tax liabilities	2,729	3,837	-28.9
Total	6,187	5,479	12.9

(16) OTHER LIABILITIES	30 Jun. 2007	31 Dec. 2006	Change
	€ thousands	€ thousands	in %
Other liabilities	14,499	11,550	25.5
Total	14,499	11,550	25.5

This item primarily consists of trade payables and outstanding salary deductions.

(17) SHAREHOLDERS' EQUITY	30 Jun. 2007	31 Dec. 2006	Veränderung
	€ thousands	€ thousands	in %
a) Issued capital	45,442	45,493	-0.1
b) Share premium	60,965	60,978	0.0
c) Retained earnings	23,570	8,000	>100.0
d) Revaluation reserve	8,011	6,126	30.8
e) Currency translation reserve	-7	-1	>100.0
f) Consolidated net profit	17,709	30,668	-42.3
Total before minority interests	155,690	151,264	2.9
Minority interests	1,747	1,362	28.3
Total	157,437	152,626	3.2

At 30 June 2007, the Group's issued capital (share capital) in the amount of EUR 45,908,682.00 was composed of 45,908,682 no-par value bearer shares. The number of shares outstanding fell by 188,200 during the period under review due to the buyback of treasury shares. This was offset by the sale of 137,060 shares to employees under the stock option plan, which increased the number of shares outstanding. The share buyback was implemented on the basis of the authorisation resolved by the Annual General Meeting on 19 July 2006, which provided for these shares to be offered to the beneficiaries of the Group's 1999 and 2004 stock option plans.

	Number
Number of shares outstanding at 1 January 2007	45,493,404
Plus: Treasury shares held at 31 December of the previous year	415,278
Number of shares issued at 30 June 2007	45,908,682
Less: Treasury shares held at the reporting date	466,418
Number of shares outstanding at 30 June 2007	45,442,264

The distribution of a dividend of EUR 0.25 per share was proposed to the Annual General Meeting on 26 June 2007. This resulted in a total distribution of EUR 11,366 thousand. The Annual General Meeting also resolved the appropriation of EUR 15,570 thousand to retained earnings.

NOTES TO THE CONSOLIDATED INCOME STATEMENTS

(18) NET INTEREST INCOME/EXPENSE	Jan. 1 - June 30	Jan. 1 - June 30	Change in %
	2007	2006	
	€ thousands	€ thousands	
Interest income from	1,087	425	>100.0
- lending and money market transactions	1,080	425	>100.0
- fixed-interest securities	7	0	-
Interest expense	-569	-393	44.8
Total	518	32	>100.0

(19) ALLOWANCE FOR LOSSES ON LOANS AND ADVANCES	Jan. 1 - June 30	Jan. 1 - June 30	Change in %
	2007	2006	
	€ thousands	€ thousands	
Additions to allowance	0	-3	-
Reversals	0	0	0.0
Write-downs	0	-6	-
Total	0	-9	-

(20) NET FEE AND COMMISSION INCOME/EXPENSE	Jan. 1 - June 30	Jan. 1 - June 30	Change in %
	2007	2006	
	€ thousands	€ thousands	
Fee and commission income	35,462	28,176	25.9
- Brokerage fee income	25,693	22,772	12.8
- Order routing	3,938	3,121	26.2
- Capital market services	1,763	994	77.4
- Brokerage of promissory note loans	856	850	0.7
- Brokerage commissions	1,080	221	>100.0
- Management and performance fees	2,127	218	>100.0
- Other fee and commission income	5	0	-
Fee and commission expense	-10,296	-8,576	20.1
- Brokerage fee expenses	-2,786	-1,940	43.6
- Order routing	-1,024	-1,253	-18.3
- Capital market services	-1	0	-
- Brokerage of promissory note loans	-53	-88	-39.8
- Brokerage commissions	-386	0	-
- Management and performance fees	-846	0	-
- Settlement fees	-4,784	-5,039	-5.1
- Other fee and commission expense	-416	-256	62.5
Total	25,166	19,600	28.4

The prior-period figures for net fee and commission income/expense have been adjusted to reflect the current presentation and to ensure consistency with the Group's internal reporting system.

(21) NET TRADING INCOME	Jan. 1 - June 30	Jan. 1 - June 30	Change in %
	2007	2006	
	€ thousands	€ thousands	
Securities trading	29,764	30,705	-3.1
- Interest and dividends	752	445	69.0
- Securities	19,167	14,369	33.4
- Options and futures	-70	0	-
- Price differences	9,915	15,891	-37.6
Foreign currencies	2	7	-71.4
Total	29,766	30,712	-3.1

(22) NET INCOME/EXPENSE FROM AVAILABLE-FOR-SALE FINANCIAL INSTRUMENTS	Jan. 1 - June 30	Jan. 1 - June 30	Change in %
	2007	2006	
	€ thousands	€ thousands	
Interest and dividend income	114	105	8.6
- Fixed-interest securities	86	84	2.4
- Equities/other non-fixed-interest securities	28	21	33.3
- Equity investments	0	0	0.0
Gain/loss on the disposal of available-for-sale financial instruments	-81	5,458	-
- Equities/other non-fixed-interest securities	-81	5,458	-
- Equity investments	0	0	0.0
Write-downs	0	0	0.0
- Write-downs	0	0	0.0
Total	33	5,563	-99.4

(23) NET INCOME FROM EQUITY-ACCOUNTED INVESTMENTS	Jan. 1 - June 30	Jan. 1 - June 30	Change in %
	2007	2006	
	€ thousands	€ thousands	
Write-ups to carrying amount in accordance with the equity method	1,234	79	>100.0
Dividends	123	0	-
Total	1,357	79	>100.0

(24) ADMINISTRATIVE EXPENSES	Jan. 1 - June 30	Jan. 1 - June 30	Change in %
	2007	2006	
	€ thousands	€ thousands	
Staff costs	-23,455	-21,126	11.0
Other administrative expenses	-11,656	-9,299	25.3
Amortisation and write-downs of intangible assets and depreciation and write-downs of property and equipment	-3,493	-3,266	7.0
Total	-38,604	-33,691	14.6

(25) OTHER OPERATING INCOME/EXPENSES	Jan. 1 - June 30	Jan. 1 - June 30	Change in %
	2007	2006	
	€ thousands	€ thousands	
Other operating income	866	1,137	-23.8
Other operating expenses	-197	-265	-25.7
Total	669	872	-23.3

(26) INCOME TAXES	Jan. 1 - June 30	Jan. 1 - June 30	Change in %
	2007	2006	
	€ thousands	€ thousands	
Current tax expense	-2,724	-3,457	-21.2
Deferred taxes	-2,191	-2,677	-18.2
Total	-4,915	-6,134	-19.9

The Group tax rate was calculated as 26%.

(27) SEGMENT REPORTING

in € thousands	Specialist Activities and Proprietary Trading	Agency Business	Capital Market Services	Portfolio Management	Other/ Consolidation	Group
Net interest income/expense	-83	572	5	24	0	518
Allowance for losses on loans and advances	0	0	0	0	0	0
Net interest income/expense after allowance for losses on loans an advances	-83	572	5	24	0	518
Net fee and commission income/expense	17,682	3,486	1,760	2,269	-31	25,166
Net trading income/expense	26,016	3,799	368	0	-417	29,766
Net income/expense from available-for-sale financial instruments	236	0	1,130	0	-1,333	33
Net income from equity-accounted investments	0	0	0	0	1,357	1,357
Net income from investments securities	0	0	0	0	0	0
Net income/expense from financial operations	26,252	3,799	1,498	0	-393	31,156
Directly attributable administrative expenses	16,787	5,779	691	1,628	0	24,885
Other operating income/expenses	841	35	13	8	-228	669
Profit after directly attributable income/expenses	27,905	2,113	2,585	673	-652	32,624
Indirectly attributable administrative expenses	8,890	3,797	794	376	-138	13,719
Profit from ordinary activities	19,015	-1,684	1,791	297	-514	18,905
Risk-weighted assets in € thousands	173,845	57,901	14,821	6,968		253,535
Allocated capital in € thousands	90,252	49,420	7,986	9,780		157,437
Return on allocated capital based on profit from ordinary activities	21.1%	-3.4%	22.4%	3.0%		12.0%
Average number of employees during the period	93	55	8	20	107	283

OTHER DISCLOSURES

(28) OFF-BALANCE-SHEET COMMITMENTS	Jan. 1 - June 30	Jan. 1 - June 30	Change in %
	2007	2006	
	€ thousands	€ thousands	
Contingent liabilities	170	170	0.0
- Liabilities from guarantees and warranty agreements	170	170	0.0
- Liabilities from the provision of collateral for third parties	0	0	0.0
Irrevocable loan commitments	7,653	2,316	>100.0
- Current account credits granted to customers	7,653	2,316	>100.0

(29) Employees

At the reporting date 30 June 2007, the Baader Wertpapierhandelsbank AG Group had a total of 289 employees (previous year: 250 employees).

(30) Share-based payment system for members of the Board of Directors and employees

Baader Wertpapierhandelsbank AG grants the members of the Board of Directors and the Group's employees performance-related remuneration in the form of stock options.

The table below provides an overview of all granted, lapsed and exercised options.

	2006	2005	2004	2003	2002	2001	2000	Total
Options granted	374,600	299,480	299,600	323,000	468,600	517,800	240,382	2,523,462
Exercise price (EUR)	5.32	6.02	2.34	2.96	1.12	2.14	5.30	-
Options forfeited	29,238	25,600	17,180	17,200	70,000	164,400	125,428	449,046
Options exercised	0	0	68,060	142,100	345,800	275,400	16,936	848,296
Options outstanding	345,362	273,880	214,360	163,700	52,800	78,000	98,018	1,226,120
Exercisable options	0	0	214,360	163,700	52,800	78,000	98,018	606,878
Residual term (in months)	82	71	59	47	34	22	10	-

To date, no options granted under the existing stock option plans have expired.

Beneficiaries of the stock option plan exercised their options during the period under review. A total of 137,060 shares were subscribed for at exercise prices of EUR 1.12, EUR 2.14, EUR 2.96 and EUR 2.34. This resulted in expenses of EUR 44,093.47, which were taken directly to equity. The stock options were exercised within a period of one month. The average share price in this period was as follows:

- Period 1: 3 May 2007 – 31 May 2007 Share price: €5.02

The stock options granted under the Stock Option Plan 2004 (and all subsequent stock option plans) are accounted for in accordance with the provisions of IFRS 2 Share-Based Payment. The stock option plans embody the share-based payment of employees' additional benefits which are settled by equity instruments. The benefits received are carried at fair value and serve to increase equity. However, as this amount cannot be estimated reliably, it and the corresponding increase in equity must be calculated indirectly by reference to the fair value of the equity instruments granted.

	2006	2005	2004	Total
Options granted	374,600	282,420	299,600	956,620
Options price	1.4001	0.9975	0.43	-
Total staff costs	524,477.46	281,713.95	128,828.00	935,019.41
Staff costs in the period under review	43,706.46	70,428.49	21,471.33	135,606.28

The staff costs are distributed over the two-year vesting period. Proportionate costs were recorded for four months for the stock options from 2004, six months for the stock options from 2005, and two months for the stock options from 2006.

(31) Related party disclosures

In addition to fixed compensation and performance-related variable compensation, the members of the Board of Directors receive options under the Baader Wertpapierhandelsbank AG stock option plan. A total of 63,750 stock options were granted to the members of the Board of Directors in the 2007 financial year to date. The following table shows the changes in the stock options of the members of the Board of Directors in financial years 2000 to 2006.

	2006	2005	2004	2003	2002	2001	2000	Total
Options granted	63,750	75,000	75,000	103,000	170,000	172,000	83,804	742,554
Exercise price (EUR)	5.32	6.02	2.34	2.96	1.12	2.14	5.30	-
Options forfeited	0	0	0	0	19,000	58,000	37,714	114,714
Options exercised	0	0	37,500	73,000	137,000	94,000	15,240	356,740
Options outstanding	63,750	75,000	37,500	30,000	14,000	20,000	30,850	271,100
Exercisable options	0	0	37,500	30,000	14,000	20,000	30,850	132,350
Residual term (in months)	82	71	59	47	34	22	10	-

The members of the Supervisory Board do not receive any stock options or other share-based compensation for their Supervisory Board activities. To the extent that employee representatives on the Supervisory Board receive stock options under the terms of the stock option plan resolved by the Annual General Meeting on 14 July 2004, these payments are due to their position as employees of Baader Wertpapierhandelsbank AG and are unconnected to their activities as members of the Supervisory Board.

As employees of the Company, the employee representatives on the Supervisory Board received a total of 4,000 stock options in the 2007 financial year. The table below shows the changes in the stock options of the employee representatives on the Supervisory Board in financial years 2000 to 2006.

	2006	2005	2004	2003	2002	2001	2000	Total
Options granted	4,000	2,440	2,640	2,800	4,000	5,200	1,590	22,670
Exercise prise (EUR)	5.32	6.02	2.34	2.96	1.12	2.14	5.30	-
Options forfeited	0	0	0	0	0	0	0	0
Options exercised	0	0	0	0	4,000	5,200	0	9,200
Options outstanding	4,000	2,440	2,640	2,800	0	0	1,590	13,470
Exercisable options	0	0	2,640	2,800	0	0	1,590	7,030
Residual term (in months)	82	71	59	47	34	22	10	-

In the period under review, members of the Supervisory Board sold Baader shares in excess of the annual exemption limit of €5,000.00, meaning that notification and publication was required in accordance with section 15a of the German Securities Trading Act. The Company has published the corresponding information on its website. Notification was provided of a total of two sales (5,600 shares with a transaction value of EUR 30,160.00).

Majority ownership of Baader Wertpapierhandelsbank AG lies with Baader Beteiligungs GmbH, Munich. No transactions were conducted between the two companies in the period under review.

Unterschleissheim, July 18 2007

Baader Wertpapierhandelsbank AG
Board of Directors

Uto Baader Dieter Brichmann

Stefan Hock Christopher Schütz Dieter Silmen

Statement by the legal representatives

“To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.”

Unterschleissheim, 18 July 2007
Baader Wertpapierhandelsbank AG
Board of Directors

Uto Baader

Dieter Brichmann

Stefan Hock

Christopher Schütz

Dieter Silmen

Review report by the auditors

To Baader Wertpapierhandelsbank AG, Unterschleissheim

We have reviewed the consolidated interim financial statements (short form), consisting of the balance sheet (short form), income statement (short form), cash flow statement (short form), statement of changes in equity (short form) and selected explanatory notes, and the interim Group management report of Baader Wertpapierhandelsbank AG for the period from 1 January to 30 June 2007, which form part of half-yearly financial reporting in accordance with section 37(w) of the German Securities Trading Act. The preparation of the consolidated interim financial statements (short form) in accordance with the International Financial Reporting Standards applicable to interim financial reporting as adopted by the EU and of the interim Group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the Company's management. Our responsibility is to issue a report on the consolidated interim financial statements (short form) and the interim Group management report based on the results of our review.

We conducted our review of the consolidated interim financial statements (short form) and the interim Group management report in accordance with the generally accepted standards for the review of financial statements promulgated by the Institute of Public Auditors in Germany (IDW). Those standards require that we plan and perform our review in order to obtain reasonable assurance by way of a critical evaluation that the consolidated interim financial statements (short form) are materially consistent with the IFRSs applicable to interim financial reporting as adopted by the EU, and that the interim Group management report is materially consistent with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is largely limited to discussions with employees of the Company and analytical evaluations, and hence does not provide the same level of assurance as a full audit of the financial statements. As our engagement does not extend to a full audit of the financial statements, we cannot issue a corresponding audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim financial statements (short form) are materially inconsistent with the IFRSs applicable to interim financial reporting as adopted by the EU or that the interim Group management report is materially inconsistent with the provisions of the German Securities Trading Act applicable to interim group management reports.

Bremen, 25 July 2007

Clostermann & Jasper Partnerschaft
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

(Clostermann)

(Lamm)

Auditor

Auditor

Key Figures

		Jan. 1 - June 30 2007	Jan. 1 - June 30 2006	Change in %
Net fee and commission income	mln. €	25.17	19.60	28.4
Net trading income	mln. €	29.77	30.71	-3.1
Administrative expenses	mln. €	-38.60	-33.69	14.6
Net profit	mln. €	13.98	17.01	-17.8
EPS	€	0.31	0.38	-18.4
Consolidated Balance Sheet		30 Jun. 2007	31 Dec. 2006	Change in %
Shareholders' equity	mln. €	157.44	152.60	3.2
Total assets	mln. €	256.22	247.50	3.5
Operating figures		30 Jun. 2007	30 Jun. 2006	Change in %
Employees		277	250	10.8
Orderbooks	piece	135,375	85,419	58.5
Share price of Baaderbank		Jan. 1 - June 30 2007	Jan. 1 - June 30 2006	Change in %
Opening price (02.01.)	€	4.19	3.37	24.3
Highest price	€	5.54	6.21	-10.8
Lowest price	€	4.09	3.37	21.4
Closing price (30.06.)	€	4.87	4.70	3.6
Market capitalization (30.06.)	mln. €	223.56	215.80	3.6
Volume (daily average)	piece	31,765	78,210	-59.4

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