BAADER

Baader Wertpapierhandelsbank AG

Consolidated Balance Sheet and
Income Statement (IAS)
for the Fiscal Year 2003

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Group Management Report

The market

Fiscal year 2003 again saw extreme swings in sentiment on the financial markets, with share prices rising sharply overall in comparison with the past two years. However, growth in equities trading volumes lagged.

As far as the leading global indices were concerned*), the Dow Jones Industrial Average rose by a disappointing 5% over the course of the year, the NASDAQ 100 increased by 25%, the DJ Stoxx 50 was up 14% and the Japanese Nikkei 225 gained 15%.

Germany's headline index, the DAX, increased by 37% in 2003, the MDAX shone with a rise of 48% and both the TecDAX and the SDAX recorded gains of 51%. The DAX bounced back by over 80% from its low in March 2003.

The transitional economies recorded even larger gains in the past year. Thailand led the pack with an increase of more than 100%, followed by Turkey with 87% and the Russian stock exchange with 45%.

At the end of 2003, the number of shareholders and equity fund shareholders stabilized at just over 17% of the German population (source: DAI – German Institute for Share Promotion).

After 2002 – when only nine companies in Germany went public – there were no IPOs in 2003, apart from the spin-off of Hypo Real Estate AG.

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

Baader Wertpapierhandelsbank AG's market position

The past fiscal year saw continued consolidation within the sector. The extremely tight and then highly volatile stock market, particularly in Q1 2003, led to a further deterioration in the liquidity situation and equity base of some securities trading houses, which assumed dramatic proportions in some cases. On the other hand, guaranteed execution times and liquidity provision on the stock markets are placing additional demands on the technical equipment used by traders. Baader Wertpapierhandelsbank AG's equity increased slightly in 2003 and offers a solid and competitive basis for sector consolidation in 2004 – and not just in comparison with its competitors.

Baader Wertpapierhandelsbank AG used the year 2003 on the stock markets as an opportunity to further expand its core competencies, specialist activities and institutional agency business.

The Bank significantly expanded its high-quality base of order books in the Specialist Activities business segment taking over order books in Frankfurt from the brokerage companies Bartmann, Pfeifer, Elsässer, Huf and 886 GmbH. The takeover of Gebhard & Schuster Wertpapierhandelshaus AG led to a significant increase in order books for German Aktiengesellschaften (public companies) on the Berlin-Bremen and Munich stock markets. The Bank also acquired one of Frankfurt's leading companies for specialist derivatives activities – Spütz Börsenservice GmbH, while its acquisition of Hannig Wertpapierhandels GmbH gave it an entry into specialist bond activities on the Frankfurt stock exchange. This area was further extended with the takeover of Fritz Nols AG's bond order books at the end of the year. The Bank managed a total of 26,841 order books at the balance sheet date, of which 7,609 order books related to equities, 16,183 to warrants, certificates and ETFs, and 3,049 to bonds and participation certificates.

Three equity transactions with a total volume of around €4.0 million were implemented in fiscal year 2003, and support was provided for one company going public on the third segment of the Bavarian Stock Exchange in Munich. However, poor market receptiveness caused planned new issues to be postponed.

The Bank’s investments in Windsurfing Chiemsee and Mox Telecom were sold to investors in the past fiscal year.

Summing up, Baader Wertpapierhandelsbank AG is starting the new fiscal year from a stronger position thanks to its focus on – and conscious extension of – core competencies.

Subsidiaries and associates

At the beginning of 2003, Baader Securities AG, Frankfurt and IPO GmbH, Unterschleissheim, were merged as planned with Baader Wertpapierhandelsbank AG.

The Bank’s foreign subsidiary, Baader Securities a.s., Prague, was sold to a Czech investor subject to conditions precedent in December 2002. These conditions precedent were fulfilled in 2003 and the sale was completed.

The liquidation of Webstock AG i.L. was completed in fall 2003.

Later in 2003, Baader Wertpapierhandelsbank AG acquired a 100% interest in the following companies, which were then merged with the Bank: Gebhard & Schuster Wertpapierhandelshaus AG, Spütz Börsenservice GmbH and Hannig Wertpapierhandels GmbH.

The 50% interest in Heins & Seitz Capital Management GmbH, Munich is included in the consolidated financial statements as an associate at equity.

Baader Management AG was consolidated for the first time as of December 31, 2003.

Key events after the balance sheet date

The Executive Board of Baader Wertpapierhandelsbank AG resolved, with the approval of the Supervisory Board, not to pursue the liquidation of KST Wertpapierhandels AG i.L. KST AG i.L.'s General Meeting at the end of March 2004 will propose the continuation of KST AG along with appropriate equity transactions and a name change. Baader Wertpapierhandelsbank AG will sell its majority interest to a group of investors in H1 2004.

Business and earnings developments

The following overview comprises the main elements of the income statements for 2003 and 2002, together with the respective changes.

thousands of €	2003	2002	Change	%
Net interest income/expense	-144	621	-765	-123.2
Allowance for losses on loans and advances	-86	-7,071	+6,985	-98.8
Net fee and commission income/expense	2,970	-2,894	+5,864	+202.6
Net trading income	28,145	15,996	+12,149	+76.0
Net income/loss from available-for-sale financial instruments and equity-accounted investments	3,464	-17,792	+21,256	+119.5
Net income from investment securities	207	335	-128	-38.2
Administrative expenses	-39,949	-40,375	+426	+1.1
Loss from operations	**-5,393**	**-51,180**	**+45,787**	**+89.5**
Other income and expenses, net	7,657	-1,927	+9,584	+497.4
Profit (loss) from ordinary activities	**2,264**	**-53,107**	**+55,371**	**+104.3**
Taxes	-91	-21,856	+21,765	+99.6
Net profit (loss) for the period before minority interest	**2,173**	**-74,963**	**+77,136**	**+102.9**

In 2003, the Bank continued to systematically pursue the restructuring measures introduced in 2002 and its strategic reorientation. The loss from operations was reduced by €45,787 thousand year-on-year, an improvement of 89.5%. Thanks to the encouraging development of net other income, the Bank recorded a profit from ordinary activities in the amount of €2,264 thousand.

Net interest income/expense declined by €765 thousand year-on-year to €-144 thousand. This is mainly attributable to the refinancing of the administrative building, which took full effect for the first time in the year under review.

The allowance for losses on loans and advances principally related to write-downs on loans and advances from companies resulting from guarantees being exercised. In the year under review, these guarantees were redeemed and the allowances for losses on loans and advances were reversed or utilized.

The net fee and commission income/expense of €2,970 thousand was a clear improvement on the previous year. This is attributable to lower securities settlement costs on the one hand and higher income from brokerage fees on the other.

The similar clear increase in net trading income of €12,149 thousand or 76.0% is due to higher securities turnover and the purchase of additional order books.

Net income/loss from available-for-sale financial instruments consists of income of €1,387 thousand and losses of €206 thousand from the disposal of equity investments and banking book securities. Net gains on the remeasurement of equity investments and investment securities amount to €1,619 thousand.

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

Administrative expenses declined for the third successive year. While personnel expenses rose slightly by €137 thousand in the year under review, other administrative expenses dropped sharply by €2,012 thousand. In contrast, expenses for depreciation, amortization and write-downs on intangible assets and property and equipment increased by €1,449 thousand. This is due to investments in 2003 in acquired rights in order books and the depreciation of the administrative building which took effect in full for the first time in the year under review.

Other income and expenses net comprises income of €8,254 thousand and expenses of €596 thousand. Income in the amount of €3,876 thousand relates to the reversal of provisions for contingent liabilities, while €3,245 thousand relates to prior-period income.
Expenses are principally due to losses from disposals of assets in the amount of €248 thousand and prior-period expenses in the amount of €210 thousand.

Net assets

The overview below illustrates the main items on the balance sheet for fiscal year 2003 compared with the previous year.

thousands of € **Assets**	2003	2002		Change %
Cash reserve	0	0	0	0.00
Loans and advances to banks	14,059	27,979	-13,920	-49.8
Loans and advances to customers	2,864	7,289	-4,425	-60.7
Allowance for losses on loans and advances	-188	-7,242	+7,054	-97.4
Assets held for trading	18,936	18,726	+210	+1.1
Available-for-sale financial instruments				
a) Shares and equity investments	15,828	18,529	-2,701	-14.6
b) Bonds and debt securities	8,584	10,658	-2,074	-19.5
Equity – accounted investments	1,025	1,026	-1	-0.1
Investment securities	3,697	6,189	-2,492	-40.3
Land and buildings	22,166	22,137	+29	+0.1
Other property and equipment	2,290	5,264	-2,974	-56.5
Intangible assets	15,203	784	+14,419	>100.0
Recoverable income taxes	1,475	1,572	-97	-6.2
Other assets	2,820	2,200	+620	+28.2
Deferred tax assets	28,624	27,901	+723	+2.6
Total assets	**137,383**	**143,012**	**-5,629**	**-3.9**
Liabilities and Shareholders' Equity				
Deposits from other banks	15,099	15,015	+84	+0.6
Due to customers	0	35	-35	-100.0
Provisions	7,508	12,224	-4,716	-38.6
Provisions for taxes	0	128	-128	-100.0
Other liabilities and accruals	5,675	8,168	-2,493	-30.5
Deferred tax liabilities	514	438	+76	+17.4
Minority interest	813	935	-122	-13.0
Shareholders' equity	107,774	106,069	+1,705	+1.6
Total liabilities and shareholders' equity	**137,383**	**143,012**	**-5,629**	**-3.9**

Total assets decreased by €5,629 thousand or 3.9% to €137,383 thousand in the year under review.

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

Assets held for trading consist of listed shares and bonds which are reported in the balance sheet at a value of €18,936 thousand.

Available-for-sale financial instruments primarily consist of shares totaling €12,718 thousand, investments of €3,110 thousand, as well as bonds and debt securities totaling €8,584 thousand.

Equity-accounted investments relate to the interest acquired in Heins & Seitz Capital Management GmbH, Munich in the previous year.

Investment securities consist of debt securities and other fixed-interest securities totaling €3,697 thousand.

The Land and buildings item consists solely of the administrative building occupied in 2002 and the related land in Unterschleissheim.

The increase in property and equipment and intangible assets is due to the recognition of acquired rights in order books in the amount of €7,508 thousand and investment in IT trading systems in the amount of €4,767 thousand.

Deposits from other banks comprise loans of €14,629 thousand taken out to finance the administrative building.

Provisions primarily comprise provisions for personnel expenses and cost allocations by regular authorities.

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

The profit generated in fiscal year 2003 improved the Company's equity base. With an equity ratio in excess of 78%, the Company has competitive capital resources which will ensure further growth.

Financial position

The Group's solvency was guaranteed at all times during the period under review. At the balance sheet date, short-term liabilities to banks amounted to €470 thousand, while short-term loans and advances to other banks totaled €14,059 thousand and available-for-sale assets held for trading, bonds and debt securities, and financial investments amounted to €31,217 thousand. This results in a net balance-sheet liquidity surplus of €44,806 thousand.

The liquidity ratio according to Principle II averaged 10.3 over the year.

Declaration in accordance with section 312 of the AktG

In accordance with section 312 of the *Aktiengesetz* (German Public Companies Act), the Executive Board prepared a dependent company report, which concludes with the following declaration:
"According to the circumstances known to the Executive Board at the time when the legal transactions or other measures listed in the dependent company report were performed, Baader Wertpapierhandelsbank AG received appropriate consideration for such transactions or measures. The Bank was not adversely affected by any measures taken or not taken. All reportable transactions were resolved by the Executive Board, approved by the Supervisory Board to the extent that this was required by the Articles of Association or the By-laws of Baader Wertpapierhandelsbank AG, and listed in this dependent company report."

Employees

The number of staff employed by the Group at the balance sheet date fell by 21 year-on-year to 165.

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

The management would like to thank all employees for the dedication and loyalty they demonstrated over the past difficult year.

Environmental report

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

Branch report

Baader Wertpapierhandelsbank AG's administrative center is located in Unterschleissheim.
In addition, the Company operates branches in Berlin, Dortmund, Frankfurt and Stuttgart.

Risk Report

The Company's business is based on the conscious assumption of financial risks and exploitation of financial opportunities. As a securities trading house, the Company's success depends to a large extent on its trading business and hence on share prices and turnover on the capital markets.

The Bank deals with these financial risks using a risk control and management system that complies with the "Minimum Requirements for Trading Activities" and the "Minimum Requirements for Banking Activities" issued by the *Bundesanstalt für Finanzdienstleistungsaufsicht* (BAFin – the Federal Financial Supervisory Authority). Its risk policy covers the areas of risk control, back office processing and control, risk management and trading. The functional and organizational separation of these areas is ensured up to the level of the Executive Board.

Risk control at the Baader Group's consolidated subsidiaries is ensured via supervisory board mandates at the subsidiaries concerned; at least one Executive Board member or senior executive of Baader Wertpapierhandelsbank AG is a member of the management or supervisory board of each subsidiary. In the year under review, the Group implemented the following streamlining measures: application for the liquidation of KST Wertpapierhandels AG, sale of Baader Sec. Prague, merger of Baader Sec. (formerly Eckes Effektenhandel AG), merger of Baader Skontroführungs AG (formerly Gebhard & Schuster Wertpapierhandelshaus AG), merger of Baader Derivate GmbH (formerly Spütz Börsenservice GmbH) and merger of Baader Rentenhandel GmbH (formerly Hannig Wertpapierhandels GmbH). At the end of the year under review, the Baader Group did not have any remaining subsidiaries with material operating activities.

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

Default risks

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

When trades are settled, a counterparty risk can arise if a trading partner fails to fulfill all his or her obligations. Since all transactions performed by the Group are settled as delivery versus payment (DVP) transactions, a counterparty risk in the sense of an advance payment risk or settlement risk does not exist. In addition the Bank uses, money market, credit lines based on credit checks and corresponding loan decisions in relation to its cash management activities for borrowers.

Issuer risk – i.e., the risk of the deterioration in creditworthiness or the default of an issuer – is offset by assigning issuers to creditworthiness categories and then deducting the corresponding commitment from the limit set. These limits, which must also be adhered to in the case of intraday trading, are based on the large exposure limits laid down by the regulatory authorities.

Country risk represents the danger that receivables due from cross-border transactions and/or in foreign currency may not be received as a result of sovereign acts (exchange controls or the prohibition of the cross-border delivery of securities). The country risk currently only applies to bonds denominated in euros or DM which are issued by a foreign state that is a member of the European Monetary Union. The fair value of positions with an inherent country risk amounted to €8.5 million at the year-end. The positions mature in the short to medium term.

No credit risks exist.

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

The risk posed by the remaining investments is monitored in the case of unlisted investments, on the basis of regular analyses of their financial statements and any resulting loan decisions. In the case of listed investments, the market price risk is calculated. Investments are included in the calculation of risk capital and in annual planning for future fiscal years.

Market price risks

Baader's trading book positions are the main source of risk arising from fluctuations in value due to changing market prices. At the end of the year under review, Baader Wertpapierhandelsbank AG's risk position was identical to the risk position of the Group, the fair value of which is given below in € million:

Equities	12.33
Bonds	8.90
Warrants / certificates	- 0.02

Examples of market price risk are the risk of changes in the share price, the exchange rate, the interest rate and volatility. Given the Baader Group's business strategy, the risk that the share price will change is of particular concern.

These market price risks are calculated using a value-at-risk model applied throughout the Group. The parameters set are a one-day holding period and a confidence level of 99%. The input risk factors are determined using a variance-covariance matrix based on the Bank's own time series.

The following value-at-risk (VaR) figures were calculated, for example:

Value-at-risk of the trading segments				
€ million	2000	2001	2002	2003
Year-end VaR	4.82	0.34	0.73	0.65
Minimum VaR	2.80	0.31	0.19	0.41
Maximum VaR	6.45	4.90	1.10	1.48
Average VaR	4.25	1.26	0.40	1.12

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

Group limits for market price risks are defined annually at the beginning of the fiscal year by a resolution passed by the Company's overall Executive Board (majority voting). Risk capital is allocated in line with this using, for example, RORAC ratios and forecast trading volumes.

Liquidity risks

Liquidity risks may occur due to insufficient liquidity on the part of trading products or the Bank itself.

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

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

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

Property risk

The property owned by Baader Wertpapierhandelsbank AG (Bank) in Weihenstephaner Strasse 4 in Unterschleissheim is the Company’s administration center and trading location and is classified as an operating asset.

The property is therefore measured at amortized cost in accordance with IAS 16. Standard wear and tear was accounted for ratably by depreciation in the amount of €834 thousand for the year under review.

Operational risks

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

System availability is ensured by technical safeguards (e.g., contingency plan, data backup, backup data center). If a system crashes, the written contingency plan must be followed. This plan is adapted at regular intervals to reflect changes in the processes concerned.

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

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

Outlook

After the sharp recovery in share price performance on the markets in the year under review, further moderate share price increases are expected in the current year. A clear recovery in trading volumes – which trailed share price performance in 2003 – is forecast.

The profit forecasts published by many companies remain subdued. However, any surprises in 2004 are likely to be pleasant rather than unpleasant. Political developments are contributing to ongoing uncertainty on the German capital markets. An additional factor is the unclear outcome of the U.S. presidential elections in the fall.

Thanks to its sound equity base, large staff of well-trained traders and substantial technological and organizational expertise, Baader Wertpapierhandelsbank AG has positioned itself as a strong, reliable partner for stock exchanges and market participants. The German capital markets are continuing to experience upheaval. Essential structural changes on the stock exchanges will increasingly necessitate more investment on the part of participating institutions. Baader Wertpapierhandelsbank AG can meet the necessary requirements in terms of its staff, organizational structures and finances and is actively driving these changes forward. The successful launch of the MAX-One market model on the Munich Stock Exchange as well as the 4-X (Stuttgart) and Smart Trading (Frankfurt) initiatives, which we support, document this trend.

During 2004, Baader Wertpapierhandelsbank AG will concentrate on expanding its institutional agency business for shares and bonds – in addition to growing its specialist activities. The launch of bond trading has already proved very successful. The Company will continue to play an active role in the ongoing process of sector consolidation.

Implementation of the resolutions concerning the discontinuation of the Investments business segment will continue in 2004. After the successful disposal of two companies in 2003, freed up resources can be concentrated on the remaining portfolio, thus ensuring an increase in its value.

Assuming a sustained revival on the markets, IPO activities are expected to increase if the market recovery continues. Stock market sentiment in 2004 will demonstrate a renewed appetite for new issues.

Baader Wertpapierhandelsbank AG is extremely well positioned in all business segments. For this reason, the Executive Board believes that the Company will be able to boost its operating results substantially in 2004. The results of the first six weeks of trading in 2004, in particular, back up this assessment.

Unterschleissheim, March 10, 2004
Baader Wertpapierhandelsbank AG

The Executive Board

Uto Baader   Dieter Brichmann   Stefan Hock   Dieter Silmen

Report of the Supervisory Board

In the past fiscal year, the Supervisory Board was regularly informed by the Executive Board in written and oral reports about business policy, fundamental issues of future management, the financial position and strategic further development of Baader Wertpapierhandelsbank AG and the Group as well as key business transactions, and discussed these issues with the Executive Board.

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

The Supervisory Board also concentrated on the cost reduction measures that were inevitable in view of the difficult earnings environment. The Supervisory Board also discussed in detail the strategy to generate additional income, the restructuring of existing business segments and the start of new activities. In addition, the Executive Board regularly informed the Supervisory Board in its monthly reports about key financial performance indicators. Where required by law or the provisions of the Company's Articles of Association or By-laws, the Supervisory Board approved individual transactions requiring its consent, after thorough examination and discussion.

The Chairman of the Supervisory Board was also informed about important decisions and key business transactions in regular discussions with the Executive Board. The minutes of the Executive Board's meetings were made available to him in a timely manner.

Corporate governance was another key focus of the Supervisory Board’s activities in the year under review. The Supervisory Board recognized the recommendations of the German Corporate Governance Code in principle, and adapted the By-laws of the Supervisory Board and the Executive Board as a result. In its meeting on December 18, 2003, the Supervisory Board, together with the Executive Board, issued the declaration of conformity required under section 161 of the AktG and explained the deviations from the recommendations of the German Governance Corporate Code. This declaration is reproduced in the Annual Report and is available on Baader Wertpapierhandelsbank AG's Web site.

All members of the Supervisory Board took part in more than half of the Supervisory Board meetings during the term of their office in 2003. No conflicts of interest relating to the members of the Supervisory Board occurred in the year under review.

The annual financial statements and management report of Baader Wertpapierhandelsbank AG and the consolidated financial statements for the year ended December 31, 2003, together with the group management report and the dependent company report, including the accounting, were audited by Clostermann & Jasper Partnerschaft, Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Bremen, the auditor chosen by the General Meeting, in accordance with the legal provisions and issued with an unqualified audit opinion.

In its meeting on March 10, 2004, the Audit Committee of the Supervisory Board examined the annual financial statements and management report of Baader Wertpapierhandelsbank AG presented by the Executive Board as well as the consolidated financial statements, together with the group management report and the dependent company report, including the audit report.

The auditors and the Executive Board attended the meeting of the Audit Committee. The auditors reported on their audit as a whole and on individual areas of emphasis, providing detailed answers to the questions posed by the members of the Audit Committee. The Audit Committee concurred with the auditors' findings. Following the conclusion of its examination, the Supervisory Board did not raise any objections.

All members of the Supervisory Board were sent the documents relating to the annual financial statements and auditors' reports in good time before today's annual financials meeting. The Chair of the Audit Committee informed the Supervisory Board, in the presence of the Executive Board, in detail today of the results of the meeting with the auditors and the Supervisory Board discussed the documents relating to the financial statements and auditors' reports at length. Based on its own examination of the annual financial statements and consolidated financial statements as well as the respective management reports, the Supervisory Board endorsed the result of the audit and approved the 2003 annual financial statements and consolidated financial statements presented by the Executive Board in its meeting today. The 2003 annual financial statements have therefore been adopted. The Supervisory Board concurs with the Executive Board's proposal for the appropriation of profits.

The term of office of the preceding Supervisory Board ended at the General Meeting on July 15, 2003. Peter Schemuth did not stand for re-election as a shareholders' representative. The Supervisory Board thanked him for his constructive contribution to and hard work for this committee. His replacement is Dr. Norbert Juchem. In addition, Dr. Horst Schiessl (Chairman), Dr. Christoph Niemann (Deputy Chairman) and Josef Faltenbacher were re-elected. In 2003, the employees of Baader Wertpapierhandelsbank AG elected Rainer Merklinghaus and Thomas Wiegelmann to the Supervisory Board as employee representatives.

In 2003, the Supervisory Board renewed Uto Baader’s contract as a member of the Executive Board for a further five years and appointed him Chairman of the Executive Board. In addition, the Supervisory Board appointed Dieter Silmen to the Executive Board with effect from August 1, 2003. He is responsible for Trading.

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

Unterschleissheim, March 29, 2004

The Supervisory Board

Dr. Horst Schiessl
Chairman

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BAADER WERTPAPIERHANDELSBANK AKTIENGESELLSCHAFT

UNTERSCHLEISSHEIM
CONSOLIDATED BALANCE SHEET (IFRS) FOR THE
PERIOD ENDED DECEMBER 31, 2003

Assets	**Note**	**Dec. 31, 2003 €**	**Dec. 31, 2002 € thousands**
1. Cash reserve	**(6, 30)**	13.56	0
2. Loans and advances to other banks	**(7, 31)**	14,058,958.90	27,979
3. Loans and advances to customers	**(7, 32)**	2,863,749.17	7,289
4. Allowance for losses on loans and advances	**(8, 20, 33)**	-188,424.38	-7,242
5. Assets held for trading	**(9, 21, 34)**	18,935,924.31	18,726
6. Available-for-sale financial instruments	**(10, 21, 35)**	24,411,903.73	29,187
7. Equity-accounted investments	**(4, 36)**	1,024,573.29	1,026
8. Investment securities	**(11, 21, 37)**	3,697,487.50	6,189
9. Property and equipment	**(12, 22, 38)**	24,456,231.44	27,401
10. Intangible assets	**(13, 22, 39)**	15,203,361.15	784
11. Recoverable income taxes	**(40)**	1,475,139.50	1,572
12. Other assets	**(41)**	2,819,648.69	2,200
13. Deferred tax assets	**(17, 27, 42)**	28,623,939.88	27,901
Total assets		137,382,506.74	143,012

Liabilities and Shareholders' Equity	**Note**	**Dec. 31, 2003 €**	**Dec. 31, 2002 € thousands**
1. Deposits from other banks	**(15, 43)**	15,098,891.28	15,015
2. Due to customers	**(15)**	0.00	35
3. Provisions	**(16, 25, 26, 44)**	7,507,777.89	12,224
4. Provisions for taxes		0.00	129
5. Other liabilities and accruals	**(45)**	5,674,929.45	8,168
6. Deferred tax liabilities	**(17, 27, 46)**	514,264.12	438
7. Minority interest	**(29)**	812,766.27	934
8. Shareholders' equity	**(18, 23, 47)**		
a) Issued capital		22,409,384.00	22,609
b) Share premium		82,855,962.58	82,783
c) Retained earnings		0.00	0
d) Revaluation reserve		213,391.43	677
e) Consolidated net profit		2,295,139.72	0
Total liabilities and shareholders' equity		137,382,506.74	143,012

BAADER WERTPAPIERHANDELSBANK AKTIENGESELLSCHAFT

UNTERSCHLEISSHEIM

CONSOLIDATED INCOME STATEMENT (IFRS)

FOR THE PERIOD JANUARY 1, 2002 TO DECEMBER 31, 2003

Income Statement	Note	€	2003 €	2002 € thousands
1. Interest income	**(48)**	512,981.41		1,888
2. Interest expense	**(48)**	-656,737.88		-1,268
3. Net interest income (expense)	**(48)**		-143,756.47	620
4. Allowance for losses on loans and advances	**(8, 49)**		-85,682.39	-7,071
5. Net interest expense after allowance for losses on loans and advances			-229,438.86	-6,451
6. Fee and commission income	**(50)**	9,543,256.19		6,471
7. Fee and commission expense	**(50)**	-6,573,119.56		-9,365
8. Net fee and commission income (expense)	**(50)**		2,970,136.63	-2,894
9. Net trading income	**(51)**		28,145,039.70	15,996
10. Net income (loss) from available-for-sale financial instruments	**(52)**		3,404,077.19	-17,791
11. Net income from equity-accounted investments	**(53)**		59,573.29	0
12. Net income from investment securities	**(54)**		207,061.39	335
13. Administrative expenses	**(55)**		-39,949,281.23	-40,375
14. Loss from operations			-5,392,831.89	-51,180
15. Other operating income	**(56)**		8,253,995.90	6,449
16. Other operating expenses	**(56)**		-596,493.37	-8,376
17. Profit (loss) from ordinary activities			2,264,670.64	-53,107
18. Income taxes on profit (loss) from ordinary activities	**(17, 27, 57)**		-91,296.48	-21,856
19. Net profit (loss) for the period before minority interest			2,173,374.16	-74,963
20. Minority interest in net loss	**(58)**		121,765.56	587
21. Net profit (loss) for the period			2,295,139.72	-74,376
22. Accumulated profits (losses) brought forward			0.00	-55
23. Withdrawals from share premium			0.00	69,154
24. Withdrawals from retained earnings				
a) from other retained earnings			0.00	5,863
25. Appropriation to retained earnings				
a) to other retained earnings			0.00	586
26. Consolidated net profit			2,295,139.72	0

		2003 €	2002 €
Earnings per share	**(59)**	0.10	-3.26

Statement of Changes in Equity

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

	Issued capital	Share premium	Retained earnings	Revaluation reserves	Consolidated net profit	Equity
Equity as of Dec. 31, 2001	**22,915,241.00**	**150,525,385.97**	**6,182,469.34**	**1,189,685.14**	**0.00**	**180,812,781.45**
Adjustments for appropriation of profits for 2001		+785,796.80	+339,480.84			+1,125,277.64
Adjustments due to deconsolidation		+1,375,000.00	+585,819.94		-585,819.94	+1,375,000.00
Purchase of treasury shares	-306,332.00	-929,910.74				-1,236,242.74
Change in revaluation reserve				-1,010,103.29		-1,010,103.29
Change in deferred taxes				+497,566.94		+497,566.94
Other changes in equity		+181,541.90	-1,245,112.66			-1,063,570.76
Consolidated net loss					-74,376,124.71	-74,376,124.71
Loss carry forward					-55,038.43	-55,038.43
Withdrawal from reserves		-69,154,325.62	-5,862,657.46		+75,016,983.08	0.00
Equity as of Dec. 31, 2002	**22,608,909.00**	**82,783,488.31**	**0.00**	**677,148.79**	**0.00**	**106,069,546.10**
Purchase of treasury shares	-199,525.00	-217,648.72				-417,173.72
Change in revaluation reserve				-752,289.58		-752,289.58
Change in deferred taxes				+288,532.22		+288,532.22
Other changes in equity		+290,122.99				+290,122.99
Consolidated net profit					+2,295,139.72	+2,295,139.72
Equity as of Dec. 31, 2003	**22,409,384.00**	**82,855,962.58**	**0.00**	**213,391.43**	**2,295,139.72**	**107,773,877.73**

Cash Flow Statement

			2003 €thousands	2002 € thousands
1.		**Net income (loss) before extraordinary items (incl. minority interest in net profit (loss)**	**2,295**	**-74,376**
2.		Depreciation, write-downs and write-ups on loans and advances, property and equipment, and investment securities	4,329	6,806
3.		Change in provisions	-4,715	1,146
4.		Other non-cash income/expense	-58	5,816
5.		Gains/losses on disposal of property and equipment, and investment securities	-617	-879
6.		Other adjustments (net)	-1,448	-4,296
7.	**=**	**Subtotal**	**-216**	**-65,783**
8.		Loans and advances		
		Loans and advances to banks	3,201	-3,652
		Loans and advances to customers	-2,628	763
9.		Securities (excl. investment securities)	1,553	18,222
10.		Other operating assets	-1,246	27,046
11.		Due to customers		
		Deposits from other banks	1,683	13,096
		Amounts due to customers	-35	11
12.		Other operating liabilities	-2,545	-7,041
13.		Interest and dividends received	1,726	5,015
14.		Interest paid	-509	-1,267
15.		Income taxes paid	110	-39
16.	**=**	**Cash flows from operating activities**	**1,092**	**-13,629**
17.		Proceeds from disposals		
		Disposals of investment securities	9,931	23,650
		Disposals of property and equipment	114	124
18.		Acquisitions		
		Payments to acquire investment securities	-3,500	-1,377
		Payments to acquire property and equipment	-5,957	-16,605
		Payments to acquire intangible assets	-8,550	-508
19.		Proceeds from the sale of consolidated companies and other business units	1,375	0
20.		Payments to acquire consolidated companies and other business units	-6,726	-325
21.	**=**	**Cash flows from investing activities**	**-13,313**	**4,959**
22.		Dividends paid	0	0
23.		Other payments	-417	-1,236
24.	**=**	**Cash flows from financing activities**	**-417**	**-1,236**
25.		Net change in cash and cash equivalents (total of 16, 20, 24)	-12,637	-9,906
26.		Effect of exchange rate changes and changes in group structure on cash and cash equivalents	3,517	-1.072
27.		Cash and cash equivalents at beginning of period	15,595	26,573
28.	=	Cash and cash equivalents at end of period	6,474	15,595
		Composition of cash and cash equivalents at Dec. 31, 2002		
		Loans and advances to banks – due on sight	6,794	17,513
		Demand deposits from other banks	-321	-1,918

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

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

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

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

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

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

Segment reporting

Segment reporting in the consolidated financial statements of Baader Wertpapierhandelsbank AG as of December 31, 2003 is classified by business segments. Three sub-activities have been defined as the Group's primary business segments: Specialist Activities and Proprietary Trading, Agency business, and the Issues and Investment business. The Others/Consolidation column reports movements that do not relate directly to the three primary segments or that are not attributable to operating activities.

The Specialist Activities and Proprietary Trading business segment is as follows: at the balance sheet date of December 31, 2003, the Group provided specialist activities for 7,609 primarily foreign equities as well as the order books for 3,049 bonds and participation certificates and 16,183 warrants, certificates and ETFs.
The task of specialists is to determine quotations for the securities they make markets in and, if necessary, to ensure additional liquidity through proprietary trading.

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

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

In its Investment business, Baader holds investments in listed and unlisted corporations domiciled in Germany and other countries.

Fiscal year 2003	Specialist activities and proprietary trading	Agency businesss	Investments business	Others/ Consolidation	Group
Net interest income/expense	-207,340.93	36,739.88	26,844.58	0.00	-143,756.47
Allowance for losses on loans and advances	-85,682.39	0.00	0.00	0.00	-85,682.39
Net interest income/expense after allowance for losses on loans and advances	-293,023.32	36,739.88	26,844.58	0.00	-229,438.86
Net fee and commission income/expense	3,437,774.43	-669,944.87	202,307.07	0.00	2,970,136.63
Net trading income	26,137,881.63	1,999,058.07	8,100.00	0.00	28,145,039.70
Net income from available-for-sale financial instruments	1,346,612.98	0.00	2,057,464.21	0.00	3,404,077.19
Net income from equity-accounted investments	0.00	0.00	0.00	59,573.29	59,573.29
Net income from investment securities	207,061.39	0.00	0.00	0.00	207,061.39
Administrative expenses	-32,490,870.23	-5,525,800.00	-1,932,611.00	0.00	-39,949,281.23
Other operating income, net	2,452,178.77	-26,200.79	5,231,524.55	0.00	7,657,502.53
Income (loss) before taxes	**797,615.65**	**-4,186,147.71**	**5,593,629.41**	**59,573.29**	**2,264,670.64**
Segment assets (thousands of €)	84,503	5,982	16,799	0	107,284
Segment liabilities (thousands of €)	25,228	2,649	1,217	0	29,094
Risk-weighted assets (thousands of €)	112,162	5,329	9,085	0	126,576
Allocated capital (thousands of €)	95,501	4,537	7,735	0	107,773
Return on allocated capital based on income before taxes	0.84%	-92.26%	72.32%		2.10%
Average number of employees in the year*	114	17	7	50	188

Segment reporting for the previous year is as follows:

Fiscal year 2002	Specialist activities and proprietary trading	Agency business	Investments business	Others/ Consolidation	Group
Net interest income	378,411.74	224,003.12	17,992.49	0	620,407.35
Allowance for losses on loans and advances	0.00	0.00	-7,071,107.53	0	-7,071,107.53
Net interest income/expense after allowance for loans and advances	378,411.74	224,003.12	-7,053,115.04	0	-6,450,700.18
Net fee and commission income/expense	-3,292,636.66	-26,444.71	425,112.80	0	-2,893,968.57
Net trading income	13,848,182.51	2,147,887.26	0.00	0	15,996,069.77
Net income/loss from available-for-sale financial instruments	72,295.48	952,477.03	-16,635,760.29	-2,180,762.90	-17,791,750.68
Net income from investment securities	335,028.38	0.00	0.00	0	335,028.38
Administrative expenses	-31,135,993.23	-5,941,756.90	-3,334,321.99	37,000.00	-40,375,072.12
Other operating income, net	1,188,077.21	18,526.49	2,379,941.61	-5,513,438.70	-1,926,893.39
Net loss before taxes	**-18,606,634.57**	**-2,625,307.71**	**-24,218,142.91**	**-7,657,201.60**	**-53,107,286.79**
Segment assets (thousands of €)	55,341	8,665	19,221	30,312	113,539
Segment liabilities (thousands of €)	24,477	1,791	4,477	5,632	36,377
Risk-weighted assets (thousands of €)	3,362	2,526	93,990	0	99,878
Allocated capital (thousands of €)	26,160	9,240	80,061	0	115,461
Return on allocated capital based on income before taxes	-71.13%	-28.41%	-30.25%		-46.00%
Average number of employees in the year*	112	25	10	53	200

The allocated capital presented in the segment report corresponds to the consolidated equity reported in the balance sheet.

NOTES

INFORMATION ON THE COMPANY

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

Purpose of the reporting entity

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

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

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

The Executive Board and Supervisory Board of Baader Wertpapierhandelsbank AG hereby declare that the Company complies with the recommendations of the "Government Commission on the German Corporate Governance Code" (DCG) published by the Federal Ministry of Justice in the official section of the electronic *Bundesanzeiger* (Federal Gazette). The Company's declaration of compliance was published in the electronic *Bundesanzeiger* on December 23, 2003 and can be accessed on the Company's Web site.

ACCOUNTING POLICIES

(1) Basis of accounting

The consolidated financial statements of Baader Wertpapierhandelsbank AG were prepared in compliance with Directives 83/349/EEC (Group Accounts Directive) and 86/635/EEC (Bank Accounts Directive), and in accordance with the International Accounting Standards/International Financial Reporting Standards (IASs/IFRSs) issued and published by the International Accounting Standards Board (IASB), as interpreted by the International Financial Reporting Interpretations Committee (IFRIC). The consolidated financial statements are based on the standards issued by the *Deutscher Standardisierungsrat* (German Standardization Committee – DSR) and published by the Federal Ministry of Justice in accordance with section 342 (2) of the HGB (German Commercial Code). Note (2) contains an overview of the standards applied.

The consolidated financial statements for the year ended December 31, 2003 have been prepared on a going-concern basis. In accordance with section 292a of the HGB, these consolidated financial statements exempt the Company from the requirement to prepare consolidated financial statements under German law.

The accounting and reporting objectives of the IASs/IFRSs differ from those of the HGB, which are geared towards the principles of prudence and creditor protection. The main thrust of the IASs is to satisfy the information needs of a wide range of users, and in particular investors, to enable them to make decisions ("decision-usefulness"). Under the IASs/IFRSs, the primary objective of financial statements is to provide information that is useful in making economic decisions. The main differences in the recognition and measurement principles are discussed elsewhere in the Annual Report.

The economic development and risk analysis of the Group are presented separately in the group management report and the group risk report.

All amounts in the accompanying financial statements are reported in euros. The balance sheet date is December 31, 2003. The fiscal year is the calendar year.

(2) Standards applied

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

The following International Accounting Standards were relevant to the preparation of the consolidated financial statements for the year ended December 31, 2003:

IAS 1	Presentation of Financial Statements
IAS 7	Cash flow Statements
IAS 8	Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies
IAS 10	Events After the Balance Sheet Date
IAS 12	Income Taxes
IAS 14	Segment Reporting
IAS 16	Property, Plant and Equipment
IAS 17	Leases
IAS 18	Revenue
IAS 19	Employee Benefits
IAS 21	The Effects of Changes in Foreign Exchange Rates

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

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

SIC 16	Share Capital – Reacquired Own Equity Instruments (Treasury Shares)	(IAS 32)
SIC 18	Consistency – alternative methods	(IAS 1)

In addition, the Group complied with the following applicable German Accounting Standards (GASs) issued by the German Standardization Committee (DSR) and published by the Federal Ministry of Justice in accordance with section 342 (2) of the HGB:

GAS 1	Exempting Consolidated Financial Statements in Accordance with Section 292a of Commercial Code
GAS 2	Cash Flow Statements
GAS 2-10	Cash Flow Statements of Financial Institutions
GAS 3	Segment Reporting
GAS 3-10	Segment Reporting for Banks
GAS 4	Acquisition Accounting in Consolidated Financial Statements
GAS 5	Risk Reporting
GAS 5-10	Risk Reporting by Financial Service Institutions and Financial Service Institutions
GAS 7	Group Equity and Total Recognized Results
GAS 8	Accounting for Investments in Associated Enterprises
GAS 10	Deferred Taxes in Consolidated Financial Statements
GAS 11	Related Party Disclosures
GAS 12	Non-current Intangible Assets
GAS 13	Consistency Principle and Correction of Errors

(3) Uniform Group accounting principles

All companies in the Group prepared their single-entity financial statements as of the balance sheet date December 31, 2003. Accounting in the Baader Group is performed on the basis of uniform accounting policies in accordance with IAS 27.

(4) Consolidation methods

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

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

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

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

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

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

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

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

(5) Consolidated companies

In addition to Baader Wertpapierhandelsbank AG, two German subsidiaries in which Baader Wertpapierhandelsbank AG holds a direct interest of more than 50% are included in the consolidated financial statements as of December 31, 2003.

The following companies are fully consolidated:

- KST Wertpapierhandels AG i.L., Stuttgart
- Baader Management AG, Unterschleissheim.

Baader Wertpapierhandelsbank AG held an 87.01% interest in the equity of KST Wertpapierhandels AG as of December 31, 2003. The Executive Board of Baader Wertpapierhandelsbank AG resolved, with the approval of the Supervisory Board, not to pursue the liquidation resolved at the General Meeting of KST Wertpapierhandels AG i.L. on December 20, 2002. A proposal will be made at KST AG i.L.'s General Meeting at the end of March 2004 to continue KST AG along with appropriate equity transactions and a name change. Baader Wertpapierhandelsbank AG will sell its majority interest to a group of investors in H1 2004.

The wholly owned subsidiary Baader Management AG, Munich has been consolidated for the first time.
The purpose of Baader Management AG is to provide management services at and for other companies, to manage own and third-party assets and to invest in other companies for the purpose of assuming the management and representation of these companies, with the exception of activities requiring approval under the *Kreditwesengesetz* (German Banking Act).

The 50% interest in Heins & Seitz Capital Management GmbH was included in the consolidated financial statements as an associate at equity. The purpose of the company is the purchase and sale of real estate, the brokerage of real estate and financing, asset management, the brokerage of securities and debt securities, the brokerage of deposit-taking operations and repurchase agreements and the brokerage of equity interests. The company's balance sheet date (October 31) differs from the other companies in the Baader Group.

The subsidiaries IPO GmbH and Baader Securities AG, which were included in the consolidated financial statements in fiscal year 2002, merged with Baader Wertpapierhandelsbank AG on April 8, 2003 and April 1, 2003 respectively.

In fiscal year 2003, €9,860 thousand was utilized in the purchase of interests in subsidiaries. The subsidiaries acquired – Spütz Börsenservice GmbH, Gebhard & Schuster Wertpapierhandelshaus AG and Hannig Wertpapierhandels GmbH – merged with Baader Wertpapierhandelsbank AG in the course of 2003.

(6) Cash reserve

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

(7) Loans and advances

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

(8) Allowance for losses on loans and advances

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

(9) Trading assets

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

(10) Available-for-sale financial instruments

Available-for-sale financial instruments are composed of bonds and debt securities, equities and other non-fixed-interest securities, investments in other investees, investments in unconsolidated subsidiaries and other equity investments. Accounting and reporting for these items is performed on the basis of IAS 39.
Securities are measured at cost at the date of acquisition. During the course of subsequent measurement, bonds and debt securities, shares and other non-fixed-interest securities, investments and other equity investments are measured at their fair values. Where a quoted market price is available for the securities, this is taken as the fair value. Measurement is based

on the quoted market prices on the most recent trading day. Unlisted securities are measured on the basis of expected future cash flows at the balance sheet date. Unconsolidated affiliates are carried at cost.
The carrying amount is written down to the fair value in the event of probable lasting impairment. If the reasons for impairment no longer apply, the impairment loss is reversed and recognized in the net profit or loss.
Amounts resulting from the measurement of securities at fair value resulting from fluctuations in the fair value that do not display any lasting impairment are not recognized in profit or loss, but are taken directly to the revaluation reserve in equity. These amounts are not recognized in the net profit or loss until the date when the relevant securities are sold, or until an impairment loss is charged.
All other income and expenses arising in conjunction with the securities carried under this item are credited or charged to net income from available-for-sale financial instruments.

(11) Investment securities

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

(12) Property and equipment

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

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

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

(13) Intangible assets

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

Amortization and write-downs are disclosed under administrative expenses.

	Standard useful life in years
Acquired rights of use	5
Trademarks	10
Software	3-5

(14) Goodwill

Goodwill is the excess of cost of acquisition over net assets acquired and is reduced by straightline amortization over the expected useful life of the assets concerned. As a rule, a useful life of fifteen years is assumed. Goodwill is regularly tested for impairment. If an impairment has occurred, the goodwill is written down.
Provided that it is not material, goodwill is reported under intangible assets, while goodwill amortization and write-downs are reported under other operating expenses.

(15) Liabilities

Liabilities are carried at their redemption or nominal amount.

(16) Provisions

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

(17) Deferred taxes

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

(18) Treasury shares

Treasury shares held in the Group are carried at cost and deducted from equity. The portion of the acquisition cost accounted for by the notional amount is deducted from the issued capital; the premium is eliminated against the share premium. Gains and losses from trading in treasury shares are credited or charged directly to the share premium.

(19) Stock option plan

Baader Wertpapierhandelsbank AG grants the members of the Executive Board and the Group's employees performance-related remuneration in the form of stock options. Under the stock option plan, stock options were issued for the first time after the end of fiscal year 1999. The stock option plan has a term of five years. During this period, a maximum of 600,000 stock options can be issued. These are distributed on the basis of a defined allocation key.
The annual tranches and the volume of the stock options to be issued are defined by the Supervisory Board or Executive Board of Baader Wertpapierhandelsbank AG, depending on the beneficiary concerned. Stock options may only be issued during a period of six weeks following the announcement of the results for the past fiscal year at the annual financials press conference. The stock options are non-transferable.
Exercise of the options is subject to a lock-up of two years from the date of grant. Once the lock-up has expired, the options may be exercised during the following five years within the four-week period following publication of each quarterly report.
The exercise price corresponds to the average closing price of Baader Wertpapierhandelsbank AG's shares in floor trading on the Bavarian Stock Exchange during the five trading days prior to the issue date of the stock options, but no less than the notional value of one share of Baader Wertpapierhandelsbank AG. The stock options may only be exercised if Baader Wertpapierhandelsbank AG’s shares outperform the Prime All Share index by at least 15% on five consecutive trading days since the issue date of the stock options. This percentage rate applies to the first year of the exercise period and rises by half a percentage point in each of the second and subsequent years of the exercise period. The closing price in floor trading on the Bavarian Stock Exchange is deemed to be the price of Baader Wertpapierhandelsbank AG’s shares.
The stock option plan had no effects on the balance sheet and income statement for fiscal year 2003.

	2002	2001	2000	1999	Total
Options issued	234,300	258,900	120,191	120,000	733,391
Exercise price	2.24	4.28	10.60	40.35	
Expired	20,000	92,600	52,045	34,500	199,145
Waived	0	0	0	85,500	85,500
Total distributed	**214,300**	**166,300**	**68,146**	**0**	**448,746**

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

SIGNIFICANT DIFFERENCES IN ACCOUNTING METHODS BETWEEN IFRSS AND HGB

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

(20) Allowance for losses on loans and advances

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

(21) Securities

Under the IASs/IFRSs, securities are classified into three categories: assets held for trading, available-for-sale financial instruments and investment securities.
Assets held for trading are carried at their fair values. Among other things, this results in the recognition of earnings components that are classified by German law as unrealized gains. All gains and losses from the remeasurement of assets held for trading are recognized in the income statement.
Investment securities (held-to-maturity investments) are all securities that do not serve to generate short-term profits, that have a fixed maturity and that generate fixed or determinable payments. As with the HGB, they are measured at cost.

All other securities are classified as available-for-sale financial instruments, and include liquidity reserve securities, securities in the issuing portfolio, investments in other investees, associates not carried at equity and unconsolidated affiliates. With the exception of the unconsolidated affiliates, which are carried at cost, all other securities in this category are measured at their fair values. Gains from fair value measurement are credited directly to the revaluation reserve in equity and recognized in income only when the corresponding securities are sold.

(22) Property and equipment and intangible assets

Carrying amounts on the basis of tax rules are not recognized under the IASs/IFRSs. As a result, the carrying amounts of property and equipment are generally higher than in the HGB financial statements. Depreciation and amortization in the IAS/IFRS financial statements must be computed on the basis of the actual useful life.
Goodwill arising from the acquisition of subsidiaries is recognized as an asset under the IASs/IFRSs. The IASs/IFRSs do not provide for an option of crediting or charging goodwill to the reserves, as set out in section 309 (1) sentence 3 of the HGB. Goodwill is reported under intangible assets or, if material, in a separate line item. It is amortized to income over its useful life.
Under German banking law, standard applications software is treated as a tangible asset in the HGB financial statements. This treatment is accepted by BaFin – the Federal Financial Supervisory Authority – on condition that the auditor confirms the propriety of this and there are no grounds for abuse. Under IASs, standard applications software is reported under the intangible assets balance sheet item.

(23) Treasury shares

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

(24) Trust activities

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

(25) Provisions for pensions

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

(26) Other provisions

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

(27) Deferred taxes

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

(28) Recognition of items due to tax rules

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

(29) Minority interest

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

BALANCE SHEET DISCLOSURES

(30) Cash reserve

The cash reserve is composed of the following items:

	Dec. 31, 2003	Dec. 31, 2002
Cash on hand	13.56	72.82
Total	**13.56**	**72.82**

(31) Loans and advances to other banks

	Dec. 31, 2003 Germany	Dec. 31, 2003 Other countries	Dec. 31, 2002 Germany	Dec. 31, 2002 Other countries
Payable on demand	6,793,755.44	588.75	17,512,906.44	6.14
Other loans and advances	7,264,614.71	0.00	10,465,946.78	0.00
	14,058,370.15	588.75	27,978,853.22	6.14
Allowance for losses on loans and advances	0.00	0.00	0.00	0.00
Total	**14,058,370.15**	**588.75**	**27,978,853.22**	**6.14**

Other receivables include accumulated interest amounting to €4,020.87.The remaining maturities of the loans and advances to other banks are presented in the maturity structure (Note (66)).

(32) Loans and advances to customers

	Dec. 31, 2003	Dec. 31, 2002
German customers	**2,843,277.68**	**7,268,579.67**
- Companies	2,631,007.12	7,129,197.63
- Private individuals	212,270.56	139,382.04
- Other	0.00	0.00
International customers	**20,471.49**	**20,471.49**
- Companies	20,471.49	20,471.49
- Private individuals	0.00	0.00
- Other	0.00	0.00
Allowance for losses on loans and advances	-188,424.38	-7,241,961.06
Total	**2,675,324.79**	**47,090.10**

The remaining maturities of the loans and advances to customers are presented in the maturity structure (Note (66)).

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

	Affiliated companies		Other investees	
	Dec. 31, 2003	Dec. 31, 2002	Dec. 31, 2003	Dec. 31, 2002
Loans and advances to customers	0.00	0.00	20,471.49	7,074,029.12
Total	**0.00**	**0.00**	**20,471.49**	**7,074,029.12**

Loans and advances to customers include loans and advances amounting to €2,864 thousand for which no interest payments are made.

(33) Allowance for losses on loans and advances

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

	Credit risks		Country risks		Potential risks (general valuation allowances)		Total	
	2003	2002	2003	2002	2003	2002	2003	2002
Balance at Jan. 1,	**7,241,961.06**	**170,853.53**	**0.00**	**0.00**	**0.00**	**0.00**	**7,241,961.06**	**170,853.53**
Additions	55,682.33	7,082,107.53	0.00	0.00	0.00	0.00	55,682.33	7,082,107.53
Disposals								
- Utilization	7,109,218.01	0.00	0.00	0.00	0.00	0.00	7,109,218.01	0.00
- Reversals	1,00	11,000.00	0.00	0.00	0.00	0.00	1.00	11,000.00
Balance at Dec. 31	**188,424.38**	**7,241,961.06**	**0.00**	**0.00**	**0.00**	**0.00**	**188,424.38**	**7,241,961.06**

(34) Assets held for trading

Assets held for trading are composed of the following items:

	Dec. 31, 2003	Dec. 31, 2002
Bonds and other fixed-interest securities	670,849.09	151,236.86
thereof:		
negotiable securities	670,849.09	151,236.86
listed securities	670,849.09	151,236.86
Equities and other non-fixed-interest securities	18,265,075.22	18,574,571.54
thereof:		
negotiable securities	18,265,075.22	18,574,571.54
listed securities	18,265,075.22	18,574,571.54
Total	**18,935,924.31**	**18,725,808.40**

(35) Available-for-sale financial instruments

Available-for-sale assets include investments in other investees and other equities and bonds not allocated to the assets held for trading.

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

	Investments in unconsolidated affiliated companies	Investments in other investees	Equities and other non-fixed-interest securities	Bonds and debt securities	Other equity interests
Cost					
- Balance at Jan. 1, 2003	2,550,000.00	12,314,621.46	59,206,388.87	10,664,567.83	1,849,152.22
- Additions	0.00	0.00	5,109,312.99	4,739,361.11	0.00
- Reclassifications	0.00	0.00	0.00	0.00	0.00
- Disposals	2,550,000.00	4,608,222.53	15,847,549.92	6,810,185.11	0.00
- Balance at Dec. 31, 2003	0.00	7,706,398.93	48,468,151.94	8,593,643.83	1,849,152.22
Revaluation reserve					
- Balance at Jan. 1, 2003	0.00	1,099,267.52	480,216.92	0.00	0.00
- Balance at Dec. 31, 2003	0.00	4,232.74	266,245.20	76,500.00	0.00
Reversals of write-downs in year under review	0.00	0.00	1,948,009.50	0.00	0.00
Write-downs					
- Balance at Jan. 1, 2003	925,834.61	6,563,411.04	49,632,329.79	6,500.00	1,849,150.22
- Current write-downs	0.00	262,433.71	1,102,357.54	86,117.08	0.00
- Reclassifications	0.00	0.00	2,225,421.81	0.00	0.00
- Disposals	925,834.61	2,225,421.81	14,995,368.75	6,500.00	0.00
- Balance at Dec. 31, 2003	0.00	4,600,422.94	36,016,730.89	86,117.08	1,849,150.22
Carrying amounts					
- Balance at Dec. 31, 2002	**1,624,165.39**	**6,850,477.94**	**10,054,276.00**	**10,658,067.83**	**2.00**
- Balance at Dec. 31, 2003	**0.00**	**3,110,208.73**	**12,717,666.25**	**8,584,026.75**	**2.00**
thereof					
negotiable securities	0.00	3,085,207.22	1,966,705.73	8,584,026.75	0.00
listed securities	0.00	3,008,705.22	7,848,394.40	8,584,026.75	0.00

The available-for-sale financial instruments include deferred interest of €305,781.73.

(36) Equity-accounted investments

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

	Equity-accounted investments
Cost	
Balance at Jan. 1, 2003	1,026,500.00
- Additions	0.00
- Disposals	0.00
- Balance at Dec. 31, 2003	1,026,500.00
Reversals of write-downs	
- Increase in carrying amounts due to pro rata gain	124,860.83
- Decrease in carrying amounts due to dividends paid	-61,500.00
Goodwill write-downs	
- Balance at Jan. 1, 2003	0.00
- Current write-downs	65,287.54
- Disposals	0.00
- Balance at Dec. 31, 2003	65,287.54
Carrying amounts	
Balance at Dec. 31, 2002	**1,026,500.00**
Balance at Dec. 31, 2003	**1,024,573.29**
thereof	
negotiable securities	0.00
listed securities	0.00

(37) Investment securities

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

	Bonds and other fixed-interest securities
Cost	
- Balance at Jan. 1, 2003	6,246,383.89
- Additions	3,697,487.50
- Reclassifications	0.00
- Disposals	6,246,383.89
- Balance at Dec. 31, 2003	3,697,487.50
Reversals of write-downs in year under review	0.00
Write-downs	
- Balance at Jan. 1, 2003	57,050.00
- Current write-downs	0.00
- Reclassifications	0.00
- Disposals	57,050.00
- Balance at Dec. 31, 2003	0.00
Carrying amounts	
- **Balance at Dec. 31, 2002**	**6,189,313.89**
- **Balance at Dec. 31, 2003**	**3,697,487.50**
thereof	
negotiable securities	**3,697,487.50**
listed securities	**3,697,487.50**

The investment securities item includes deferred interest of €58,187.50.

The investment securities are composed of the following financial instruments:

	Dec. 31, 2003	Dec. 31, 2002
Bonds and other fixed-interest securities		
Bonds and debt securities issued by		
- public-sector issuers	3,697,487.50	3,630,720.14
- other issuers	0.00	2,558,593.75
Total	**3,697,487.50**	**6,189,313.89**

The remaining maturities of the investment securities are presented in the maturity structure (Note (66)).

(38) Property and equipment

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

	Operating and office equipment	Land and buildings	Property and equipment under development
Cost			
Balance at Jan. 1, 2003	7,646,071.77	22,337,016.60	1,477,534.75
- Additions	1,062,806.76	0.00	7,463,389.39
- Disposals	1,783,971.53	31,863.43	1,356,030.73
- Reclassifications	-1,505,389.63	894,659.10	-7,584,893.41
- Balance at Dec. 31, 2003	5,419,517.37	23,199,812.27	0.00
Reversals of write-downs in year under review	0.00	0.00	0.00
Depreciation and write-downs			
- Balance at Jan. 1, 2003	3,859,922.42	199,800.22	0.00
- Current write-downs	1,574,197.73	833,786.87	0.00
- Disposals	1,332,976.66	0.00	0.00
- Reclassifications	-971,632.38		0.00
- Balance at Dec. 31, 2003	3,129,511.11	1,033,587.09	
Carrying amounts			
Balance at Dec. 31, 2002	**3,786,149.35**	**22,137,216.38**	**1,477,534.75**
Balance at Dec. 31, 2003	**2,290,006.26**	**22,166,225.18**	**0.00**

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

(39) Intangible assets

The following overview presents changes in intangible assets:

	Goodwill	Concessions, industrial and similar rights and assets	Advance payments on intangible assets
Cost			
Balance at Jan. 1, 2003	72,611,097.08	2,814,949.25	0.00
- Additions	747,592.26	8,639,124.92	0.00
- Disposals	73,358,689.34	345,120.33	0.00
- Reclassifications	0.00	1,628,812.58	6,566,811.36
- Balance at Dec. 31, 2003	0.00	12,737,766.42	6,566,811.36
Reversals of write-downs in year under review	0.00	0.00	0.00
Amoritzation and write-downs			
- Balance at Jan. 1, 2003	72,611,097.08	2.030.908.78	0.00
- Current write-downs	0.00	1,421,774.64	0.00
- Disposals	72,611,097.08	323,099.17	0.00
- Reclassifications	0.00	971,632.38	0.00
- Balance at Dec. 31, 2003	0.00	4,101,216.63	0.00
Carrying amounts			
Balance at Dec. 31, 2002	**0.00**	**784,040.47**	**0.00**
Balance at Dec. 31, 2003	**0.00**	**8,636,549.79**	**6,566,811.36**

The advance payments on intangible assets primarily relate to investments in the "Decide" IT project.
Goodwill is no longer reported in the year under review.

(40) Recoverable income taxes

Recoverable income taxes relate to claims by the Group against the tax authorities for actual overpayment of taxes in the amount of €1,475,139.50.

(41) Other assets

The other assets are composed of the following items:

	Dec. 31, 2003	Dec. 31, 2002
Other assets	2,592,618.25	2,013,535.86
Prepaid expenses	227,030.44	186,028.42
Total	**2,819,648.69**	**2,199,564.28**

(42) Deferred tax assets

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

Deferred tax assets comprise deferred taxes on differences in the measurement of pension claims amounting to €173,191.10 and deferred taxes on loss carryforwards amounting to €28,450,748.78.

The consolidated financial statements of Baader Wertpapierhandelsbank AG recognize deferred taxes on unused tax loss carryforwards. In accordance with IAS 12, these must be recognized to the extent that it is probable that future taxable income will be available against which the unused tax losses can be offset. In fiscal year 2003, tax loss carryforwards amounted to €147,800 thousand. On the basis of the Bank's long-term planning, it is considered more likely than not that sufficient taxable income will be generated in the coming years to utilize the tax loss carryforwards. At an income tax rate of 38.5%, the deferred recoverable taxes amount to €56,903 thousand.

At the balance sheet date December 31, 2002, a discount of 50% was deducted from the overall deferred recoverable taxes from loss carryforwards due to the imponderables surrounding future tax legislation and the uncertainty on the capital markets at the time. Due to the introduction of a minimum tax rule, it will only be possible to utilize tax loss carryforwards for future profits over an extremely long period of time. For this reason and due to the difficulty of predicting the development of trading volumes and share prices as well as the volatility of the Bank's profits in the past, this 50% discount has been retained. Correspondingly, deferred taxes on unused tax loss carryforwards of €28,451 thousand were recognized in the IAS financial statements for the year ended December 31, 2003. This resulted in a tax benefit of €674 thousand in 2003 after the recognition of deferred tax assets in the amount of €27,777 thousand on December 31, 2002.

(43) Deposits from other banks

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

	Dec. 31, 2003	Dec. 31, 2002
Payable on demand	319,851.97	1,918,312.61
With agreed maturity or notice	14,779,039.31	13,096,456.89
Total	**15,098,891.28**	**15,014,769.50**

The with agreed maturity or notice item combines loans totaling €14,629,091.13 and deferred interest of €149,948.18.

(44) Provisions

Provisions are composed of the following items:

	Dec. 31, 2003	Dec. 31, 2002
Provisions for pensions	4,833,088.00	3,891,105.00
Other provisions	2,674,689.89	8,333,038.79
Total	**7,507,777.89**	**12,224,143.79**

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

- Discount rate: 5.0% -5.5%
- Expected return on plan assets: 0
- Expected future salary increases: 0.0% -3.0%
- Expected future pension increases: 0.0% -2.5%

All provisions for pensions relate to unfunded pension obligations.

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

	2003	2002
Pension obligations at Jan. 1	4,396,435.00	3,652,042.00
Actuarial gains/losses less unrecognized in year	466,198.00	331,105.00
Past service cost	-971,528.00	-1,121,578.00
Pension provisions at Jan. 1	3,891,105.00	2,861,569.00
Current service cost	552,845.00	639,140.00
Interest cost	254,257.00	234,979.00
Actuarial gains/losses recognized in year	-27,380.00	-4,809.00
Past service cost	162,261.00	160,226.00
Pension provisions at Dec. 31	**4,833,088.00**	**3,891,105.00**

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

thousands of €	Balance at Jan. 1, 2003 €thousands	Utilization €thousands	Reversals €thousands	Additions €thousands	Balance at Dec. 31, 2003 €thousands
Staff	765	765	0	180	180
Litigation	147	0	0	5	152
Cost allocation	946	5	15	260	1,286
Provisions for onerous contracts	4,437	544	3,876	0	0
Miscellaneous	2,038	1,306	51	459	1,140
Total	**8,333**	**2,620**	**3,942**	**904**	**2,675**

(45) Other liabilities and accruals

Other liabilities and accruals amount to €5,674,929.45.
They consist primarily of trade payables (€2,999 thousand) and accruals (€2,676 thousand).
The accruals are primarily composed of current obligations to employees, members of the Executive Board and the Supervisory Board, contributions and the annual financial statements and audit.

(46) Deferred tax liabilities

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

	Dec. 31, 2003	Dec. 31, 2002
Assets held for trading	380,677.61	15,603.87
Available-for-sale financial instruments	133,586.51	422,118.73
Provisions	0.00	0.00
Total	**514,264.12**	**437,722.60**

Deferred tax liabilities amounting to €133,586.51 were charged directly to the revaluation reserve in equity. The recognition of deferred tax liabilities resulted in a tax benefit of €497,234.17.

(47) Equity

Changes in issued, contingent and authorized capital:

	Issued capital	Authorized capital	Contingent capital
Balance at Jan. 1, 2003	**22,954,341.00**	**11,477,170.00**	**5,600,000.00**
Balance at Dec. 31, 2003	**22,954,341.00**	**11,477,170.00**	**5,600,000.00**

The issued capital (share capital) at January 1, 2003 amounted to €22,954,341.00 and was composed of 22,954,341 no-par value bearer shares.

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

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

The resolutions on Authorized Capital I and Authorized Capital II had not been amended at December 31, 2003. Authorized Capital I amounted to €2,295,434.00 as of December 31, 2003, and Authorized Capital II to €9,181,736.00.

The issued capital as of December 31, 2003 amounted to €22,954,341.00, composed of 22,954,341 no-par value shares.

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

The share capital is contingently increased by up to €5,000,000.00. The contingent capital increase serves to grant rights to the holders or creditors of convertible bonds or of warrants from bonds with warrants issued up to June 1, 2005 on the basis of the aforementioned authorization by Baader Wertpapierhandelsbank AG or by a company in which Baader Wertpapierhandelsbank AG holds a direct or indirect majority interest.

The new shares are issued at the conversion or option price to be determined. The contingent capital increase will only be implemented insofar as these rights are exercised. The new shares carry dividend rights from the beginning of the fiscal year in which they are created by exercise of the conversion rights or options. The Executive Board is authorized to determine the further details of the implementation of the contingent capital increase. As of December 31, 2003, this resolution had not been amended.

In accordance with section 71 (1) no. 7 of the AktG (German Public Companies Act), the General Meeting on July 10, 2002 authorized Baader Wertpapierhandelsbank AG to buy and sell own shares initially up to January 9, 2004 for the purposes of securities trading at prices no more than 10% above or below the average closing price of the shares in floor trading on the Frankfurt Stock Exchange on each of the three preceding trading days. The holdings of own shares acquired for this purpose may not exceed 5% of the Company's share capital.

In addition, the Company was authorized by a resolution of the General Meeting on July 10, 2002, in accordance with section 71 (1) no. 8 of the AktG, to acquire shares of the Company in order to be able to offer them to third parties in the course of the acquisition of companies or equity interests, to offer them for subscription to the beneficiaries of the Baader

Wertpapierhandelsbank AG Stock Option Plan 1999 in accordance with the authorization by the General Meeting on June 18, 1999, or to cancel them.

The authorization is limited to the acquisition of own shares up to a maximum of ten percent of the share capital and was initially valid until January 9, 2004. The authorization may be exercised in full or in part, on one or more occasions, in order to pursue one or more of the stated goals. The shares will be acquired via the stock exchange. The price paid by Baader Wertpapierhandelsbank AG per share may not exceed the average closing price for the no-par value shares of Baader Wertpapierhandelsbank AG in floor trading on the Frankfurt Stock Exchange during the last five trading days prior to the purchase of the shares by more than 5% (excluding acquisition costs).

The Executive Board is authorized, with the approval of the Supervisory Board, to offer shares of Baader Wertpapierhandelsbank AG that were purchased as a result of this authorization to third parties when companies or equity interests are acquired.

The Executive Board is authorized, with the approval of the Supervisory Board, to cancel shares of Baader Wertpapierhandelsbank AG that were purchased as a result of this authorization without a further resolution by the General Meeting being required for such cancellation or its implementation. The authorization to cancel shares may be exercised in full or in part.

The General Meeting on July 15, 2003 revoked the resolutions passed on July 10, 2002 in accordance with section 71 (1) no. 7 and no. 8 of the AktG and resolved equivalent authorizations in accordance with section 71 (1) no. 7 and no. 8 of the AktG that are valid until January 14, 2005.

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

	Issued capital	Share premium
Balance at December 31, 2002	**345,432.00**	**2,279,477.53**
Additions of treasury shares	199,525.00	217,648.72
Disposals of treasury shares	0.00	0.00
Balance at December 31, 2003	**544,957.00**	**2,497,126.25**

a) Share premium

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

b) Retained earnings

Retained earnings comprise the earnings retained within the Group as well as all consolidation adjustments recognized in income.

c) Revaluation reserves

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

CONSOLIDATED INCOME STATEMENT DISCLOSURES

(48) Net interest income/expense

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

	Dec. 31, 2003	Dec. 31, 2002
Interest income from	**512,981.41**	**1,887,956.92**
- Lending and money market business	510,325.16	1,877,885.84
- Fixed-interest securities	2,656.25	10,071.08
Interest expenses	**-656,737.88**	**-1,267,549.57**
Total	**-143,756.47**	**620,407.35**

Interest expenses are composed primarily of interest expenses for loans amounting to €530,539.31 and of interest expenses for current liabilities amounting to €55,527.31.

(49) Allowance for losses on loans and advances

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

	Dec. 31, 2003	Dec. 31, 2002
Additions to allowance	-85,682.39	-7,082,107.53
Reversals	0.00	0.00
Recoveries on loans and advances written off	0.00	11,000.00
Balance at December 31, 2003	**-85,682.39**	**-7,071,107.53**

(50) Net fee and commission income/expense

	Dec. 31, 2003	Dec. 31, 2002
Fee and commission income	**9,543,256.19**	**6,470,997.56**
- Securities and issue business	218,006.33	448,119.34
- Brokerage fees	9,325,249.86	6,022,878.22
Fee and commission expenses	**-6,573,119.56**	**-9,364,966.13**
- Brokerage fees	-947,017.42	-1,027,529.60
- Settlement fees	-5,472,719.47	-7,949,735.39
- Securities and issue business	-61,971.83	-103,058.30
- Other fee and commission expenses	-91,410.84	-284,642.84
Total	**2,970,136.63**	**-2,893,968.57**

(51) Net trading income

	Dec. 31, 2003	Dec. 31, 2002
Securities trading	**28,151,724.51**	**16,089,526.88**
- Interest and dividends	245,018.10	194,748.39
- Securities	19,191,824.52	-629,846.02
- Options and futures	-1,833.49	410.10
- Price differences	8,716,715.38	16,524,214.41
Foreign currencies	**-6,684.81**	**-93,457.11**
Total	**28,145,039.70**	**15,996,069.77**

(52) Net income (loss) from available-for-sale financial instruments

	Dec. 31, 2003	Dec. 31, 2002
Interest and dividend income	**603,962.36**	**726,191.73**
- Fixed-interest securities	556,250.04	569,488.49
- Equities/other non-fixed-interest securities	47,668.32	146,263.24
- Investments in other investees	44.00	10,440.00
Gain/loss on the sale of available-for-sale financial instruments	**1,181,141.44**	**1,189,150.27**
- Equities/other non-fixed-interest securities	235,217.25	297,112.24
- Investments in other investees	945,924.19	892,038.03
Impairment losses	**1,618,973.39**	
- Write-downs	-1,368,654.24	**-19,707,092.68**
- Reversals	2,987,627.63	
Total	**3,404,077.19**	**-17,791,750.68**

(53) Net income from equity-accounted investments

	Dec. 31, 2003	Dec. 31, 2002
Net income received	124,860.30	0.00
Write-downs on goodwill	-65,287.54	0.00
Total	**59,573.29**	**0.00**

(54) Net income from investment securities

	Dec. 31, 2003	Dec. 31, 2002
Interest income from	**302,701.39**	**388,472.22**
- Lending and money market business	0.00	0.00
- Fixed-interest securities	302,701.39	388,472.22
Impairment losses	**-95,640.00**	**-53,443.84**
Total	**207,061.39**	**335,028.38**

(55) Administrative expenses

	Dec. 31, 2003	Dec. 31, 2002
Staff costs	**-21,083,867.86**	**-20,946,522.99**
- Wages and salaries	-17,999,819.88	-18,091,598.34
- Social security contributions	-1,819,154.59	-2,312,728.98
- Pension and other benefit costs	-1,264,893.39	-542,195.67
Other administrative expenses	**-15,035,654.13**	**-17,047,864.69**
Depreciation, amortization and write-downs on intangible assets and property and equipment	**-3,829,759.24**	**-2,380,684.44**
Total	**-39,949,281.23**	**-40,375,072.12**

(56) Other operating income and other operating expenses

	Dec. 31, 2003	Dec. 31, 2002
Other operating income	8,253,995.90	6,448,752.81
Other operating expenses	-596,493.37	-8,375,646.20
Total	**7,657,502.53**	**-1,926,893.39**

Other operating income comprises items that cannot be allocated to other line items in the income statement. These relate primarily to income from the reversal of provisions (€4,378 thousand) and prior-period income (€3,245 thousand).
Other operating expenses also comprise items that cannot be allocated to other line items in the income statement. These primarily include losses from the sales of assets (€248 thousand), prior-period expenses (€210 thousand) and merger and liquidation losses (€128 thousand).

(57) Income taxes on profit (loss) from ordinary activities

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

	Dec. 31, 2003	Dec. 31, 2002
Current taxes	-448,959.06	606,662.62
Deferred taxes	357,662.58	-22,462,626.17
Total	**-91,296.48**	**-21,855,963.55**

The actual tax expense is computed on the basis of the taxable income of the individual Group companies for the fiscal year. An income tax expense is recorded for fiscal year 2003 due to the back payment of taxes relating to previous years.
Deferred taxes were recognized for temporary differences resulting from differing carrying amounts in the reconciliation between the HGB financial statements and the IAS/IFRS consolidated financial statements. The deferred taxes included in the income taxes item in the income statement are composed of the following items:

	Dec. 31, 2003	Dec. 31, 2002
Deferred tax assets	722,736.32	-22,759,299.47
Deferred tax liabilities	-365,073.74	296,673.30
Total	**357,662.58**	**-22,462,626.17**

The tax expense from the deferred tax liabilities reported in the income statement amounting to €-365,073.74 results from the recognition of deferred tax liabilities for temporary differences between the carrying amounts of assets and liabilities in the financial accounts and their tax base.
The deferred tax assets include tax income from the pro rata addition to the deferred tax assets on loss carryforwards in the amount of €674,000.00. In fiscal year 2002, a discount of 50% was deducted from the overall potential deferred tax assets from 2001 and 2002 in the amount of €55,553 thousand. Due to the introduction of a minimum tax rule, it will only be possible to utilize tax loss carryforwards for future profits over an extremely long period of time. For this reason and due to the difficulty of predicting the development of trading volumes and share prices as well as the volatility of the Bank's profits in the past, this 50% discount has been retained. As of December 31, 2003, potential deferred tax assets existed in the amount of €56,903 thousand; the corresponding remaining deferred tax asset was therefore €28,541 thousand. After the recognition of deferred tax assets in the amount of €27,777 thousand in 2002, this resulted in a tax benefit of €674 thousand. The criteria set out in IAS 12 for the recognition of the remaining future tax benefit were met.
The recognition of deferred tax assets resulting from the temporary differences for provisions for pensions under the HGB and IASs/IFRSs led to tax income of €48,736.32 in the year under review.
In fiscal year 2002, deferred taxes were computed on the basis of a 38.5% tax rate. The tax rate results from an average trade tax rate of 16.5% and a corporation tax rate of 25%, plus the solidarity surcharge.
The application of a 38.5% rate of income tax to the accounting profit before income taxes of €2,265 thousand results in a theoretical income tax expense of €872 thousand. However, as the income tax result was negative, no income tax was actually due in fiscal year 2003. The actual taxes recorded relate to the tax expense for previous years.

(58) Minority interest in net loss

The minority interest in the amount of €-121,765.56 is due to the negative contribution to earnings by the subsidiary KST Wertpapierhandels AG and thus increases the Group's consolidated net profit.

(59) Earnings per share

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

	2003	**2002**
Net loss	2,295,139.72	-74,376,124.71
Weighted average number of shares outstanding	22,472.156	22,786.554
Earnings per share	**0.10**	**-3.26**

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

OTHER DISCLOSURES

(60) Foreign currency items

Assets denominated in foreign currencies amounted to €588.75 (translated) at the balance sheet date. They are composed of loans and advances to other banks.

(61) Contingencies and commitments

Contingencies and commitments relate to potential future obligations of the Group that have been granted to customers but not taken up. Settlement of these liabilities is unlikely, as can be seen from their accounting treatment.

	Dec. 31, 2003	Dec. 31, 2002
Contingent liabilities		
- Liabilities on guarantees and warranties	170,000.00	350,622.24
- Liabilities from the granting of security for third-party liabilities	0.00	0.00
Other commitments		
- Irrevocable loan commitments	0.00	0.00

(62) Other financial obligations

Financial obligations from office leases amount to a total of €1,205 thousand and have remaining terms of between 19 and 44 months.
In addition, obligations from vehicle leases and leased items of operating and office equipment exist in the amount of €1,786 thousand, with remaining terms of between 1 and 34 months.

(63) Trust activities

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

	Dec. 31, 2003	Dec. 31, 2002
Loans and advances to other banks	0.00	0.00
Securities	0.00	7,372.04
Trust assets	**0.00**	**7,372.04**
Loans and advances to other banks	0.00	0,00
Shares in companies	0.00	7,372,04
Trust liabilities	**0.00**	**7,372.04**

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

	Dec. 31, 2003	Dec. 31, 2002
Loans and advances to other banks	5,912,896.38	10,675,730.61
Securities	5,863,955.80	6,093,800.00
Total	**11,776,852.18**	**16,769,530.61**

(64) Borrowing costs

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

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

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

(66) Maturity structure

The maturity structure of the Group balance sheet as of the 2003 balance sheet date is as follows:

thousands of €	Up to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years }	Indefinite	Total
Assets						
Cash reserve	0	0	0	0	0	0
Loans and advances to other banks	14,059	0	0	0	0	14,059
Loans and advances to customers	2,044	770	50	0	0	2,864
Allowance for losses on loans and advances	-188	0	0	0	0	-188
Assets held for trading	18,936	0	0	0	0	18,936
Available-for-sale financial instruments	3,768	10,227	4,816	3,110	2,491	24,412
Equity-accounted investments	0	0	0	0	1,025	1,025
Investment securities	0	0	3,697	0	0	3,697
Property and equipment	0	0	0	0	24,456	24,456
Intangible assets	0	0	0	0	15,203	15,203
Goodwill	0	0	0	0	0	0
Recoverable income taxes	0	0	1,475	0	0	1,475
Other assets	1,020	667	35	1,098	0	2,820
Deferred tax assets	0	0	28,451	173	0	28,624
Total assets	**39,639**	**11,664**	**38,524**	**4,381**	**43,175**	**137,383**
Liabilities and Shareholders' Equity						
Deposits from other banks	320	0	14,779	0	0	15,099
Due to customers	0	0	0	0	0	0
Provisions	0	2,675	0	0	4,833	7,508
Provisions for taxes	0	0	0	0	0	0
Other liabilities and accruals	2,939	2,736	0	0	0	5,675
Deferred tax assets	381	0	29	2	102	514
Minority interest	0	813	0	0	0	813
Shareholders' equity	0	0	0	0	107,774	107,774
Total liabilities and shareholders' equity	**3,640**	**6,224**	**14,808**	**2**	**112,709**	**137,383**

The maturity structure of the Group balance sheet as of December 31, 2002 is as follows:

thousands of €	Up to 3 months	3 months to 1 year	more than 1 year to 5 years	More than 5 years }	Indefinite	Total
Assets						
Cash reserve	0	0	0	0	0	0
Loans and advances to other banks	27,979	0	0	0	0	27,979
Loans and advances to customers	7,289	0	0	0	0	7,289
Allowance for losses on loans and advances	-7,242	0	0	0	0	-7,242
Assets held for trading	18,726	0	0	0	0	18,726
Available-for-sale financial instruments	1.375	17,693	3,854	4,498	1,767	29,187
Equity-accounted investments	0	0	0	0	1,026	1,026
Investment securities	0	6,189	0	0	0	6,189
Property and equipment	0	178	0	0	27,223	27,401
Intangible assets	0	15	0	0	769	784
Goodwill	0	0	0	0	0	0
Recoverable income taxes	0	0	1,572	0	0	1,572
Other assets	449	730	474	547	0	2,200
Deferred tax assets	0	0	27,777	124	0	27,901
Total assets	**48,576**	**24,805**	**33,677**	**5,169**	**30,785**	**143,012**
Liabilities and Shareholders' Equity						
Deposits from other banks	1,918	13,097	0	0	0	15,015
Due to customers	35	0	0	0	0	35
Provisions	0	8,333	0	0	3,891	12,224
Provisions for taxes	0	129	0	0	0	129
Other liabilities and accruals	5,414	2,107	646	0	0	8,167
Deferred tax assets	16	0	0	422	0	438
Minority interest	0	935	0	0	0	935
Shareholders' equity	0	0	0	0	106,069	106,069
Total liabilities and shareholders' equity	**7,383**	**24,601**	**646**	**422**	**109,960**	**143,012**

(67) Employees

The Baader Wertpapierhandelsbank AG Group employed an average of 188 (previous year: 200) staff during the year under review. 165 employees were employed at the balance sheet date.

(68) Related party disclosures

a) Remuneration of the Executive Board and the Supervisory Board

	2003 €	2002 thousands of €
Executive Board		
- Fixed remuneration	1,501,995.95	3,721
- Variable remuneration	86,921.00	0
Supervisory Board (excl. reimbursement of expenses)		
- Fixed remuneration	72,755.01	105
- Variable remuneration	0.00	0

In addition to their fixed remuneration and a performance-related variable remuneration, Executive Board members receive stock options under Baader Wertpapierhandelsbank AG's stock option plan (Notes (19) and (69)).

A provision of €4,833,088.00 (previous year: €3,891 thousand) was set up for pension obligations to members of the Executive Board.

The members of the Supervisory Board of Baader Wertpapierhandelsbank AG are remunerated in accordance with Article 13 of the Company's Articles of Association. In fiscal year 2003, none of the members of the Supervisory Board were granted remuneration or other benefits for services provided individually.

b) Other disclosures

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

(69) Shareholdings of management and supervisory bodies

at Dec. 31, 2003	Number of shares	Number of options
Executive Board	15,302,228	134,012
Supervisory Board	2,000	5,395

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

(70) Information on subsidiaries

Name, domicile: Baader Management AG, Unterschleissheim
Equity interest/share in voting rights: 100%

Name, domicile: KST Wertpapierhandels AG i.L., Stuttgart
Equity interest/share in voting rights: 87.01%

(71) Executive bodies of Baader Wertpapierhandelsbank AG

Executive Board

Uto Baader, Munich

- Chairman of the Executive Board of Baader Wertpapierhandelsbank AG, Unterschleissheim
- Managing Director of Baader Beteiligungs GmbH, Munich
- Member of the Supervisory Board of Baader Management AG, Unterschleissheim
- Member of the Supervisory Board of Smart.IPO AG, Munich
- Member of the Supervisory Board of Medi-Globe Corp., Tempe, Arizona
- Deputy Chairman of the Supervisory Board of KST Wertpapierhandels AG i.L., Stuttgart
- Member of the Supervisory Board of Bayerische Börse AG, Munich

Dieter Brichmann, Penzberg

- Member of the Executive Board of Baader Wertpapierhandelsbank AG, Unterschleissheim
- Chairman of the Supervisory Board of Baader Management AG, Unterschleissheim

Stefan Hock, Munich

- Member of the Executive Board of Baader Wertpapierhandelsbank AG, Unterschleissheim
- Member of the Supervisory Board of Baader Management AG, Unterschleissheim
- Member of the Supervisory Board of Mox Telecom AG, Ratingen
- Member of the Supervisory Board of e-m-s new media AG, Dortmund

Dieter Silmen, Baldham

- Member of the Executive Board of Baader Wertpapierhandelsbank AG, Unterschleissheim (since August 1, 2003)
- Member of the Supervisory Board of Börse Stuttgart, Stuttgart (until October 9, 2003)

Supervisory Board

Dr. Horst Schiessl, Munich
Age: 62
Profession: lawyer
Member of the Supervisory Board since: February 26, 1999

- Chairman of the Supervisory Board of Baader Wertpapierhandelsbank AG, Unterschleissheim
- Chairman of the Supervisory Board of Softing AG, Haar near Munich
- Deputy Supervisory Board Chairman of SPAG St. Petersburg Immobilien und Beteiligungs AG, Mörfelden-Walldorf
- Member of the Supervisory Board of Dussmann AG & Co.KGaA, Berlin
- Member of the Advisory Board of Trion Pharma GmbH, Munich

Dr. Christoph Niemann, Meerbusch
Age: 67
Profession: banker0}
Member of the Supervisory Board since: July 10, 2002

- Deputy Chairman of the Supervisory Board of Baader Wertpapierhandlesbank AG, Unterschleissheim
- Member of the Supervisory Board of Hannoversche Lebensversicherung AG
- Member of the Board of MASAI, Paris
- Member of the Executive Board of Bankenvereinigung Nordrhein-Westfalen e.V. (until mid-2003)
- Member of the Supervisory Board of HSBC Trinkaus & Burkhardt KGaA, Dusseldorf
- Member of the Board of Directors of Landesbank Baden-Württemberg – Förderbank (L-Bank) (until November 2003)
- Member of the Board of Directors of Düsseldorfer Hypothekenbank AG

Josef Faltenbacher, Munich
Age: 65
Profession: Wirtschaftsprüfer (German public auditor)
Member of the Supervisory Board since: June 26, 1998

- Member of the Supervisory Board of Baader Wertpapierhandelsbank AG, Unterschleissheim
- Deputy Supervisory Board Chairman of Softing AG, Haar near Munich

Norbert Juchem, Munich
Age: 52
Profession: management consultant
Member of the Supervisory Board since: July 15, 2003

- Member of the Supervisory Board of Baader Wertpapierhandelsbank AG, Unterschleissheim (since July 15, 2003)

Rainer Merklinghaus, Vaterstetten
Age: 42
Profession: organization manager
Member of the Supervisory Board since: May 21, 2003 (employee representative)

Thomas Wiegelmann, Sulzbach / Taunus
Age: 36
Profession: project manager
Member of the Supervisory Board since: June 26, 1998 (employee representative)

(72) Group shareholdings

Name, domicile:	% interest in capital	Last financial statements	Equity (total)	Net profit/loss for the most recent fiscal year
Baader Management AG, Unterschleissheim *)	100.00	Dec. 31, 2003	€48,993.51	€185.96
KST Wertpapierhandels AG, Stuttgart *)	87.01	Dec. 31, 2003	€6,256,861.23	€-937,379.19
Heins & Seitz Capital Management GmbH, Munich *)	50.00	Oct. 31, 2003	€193,009.61	€187,225.74
Smart.IPO AG, Munich	32.57	Dec. 31, 2002	€0.00	€-397,971.46
boerse-stuttgart.de, Stuttgart	10.93	Dec. 31, 2003	€973,069.65	€-770,599.81
U.C.A. AG, Munich	11.88	Dec. 31, 2002	€27,054,459.73	€-477,139.37
Ben Bavarian Equity Network GmbH, Munich	16.67	Dec. 31, 2002	€72,447.60	€-6,414.76
SM Wirtschaftsberatungs AG, Sindelfingen	7.71	Dec. 31, 2002	€12,798,061.20	€-59,805.20
Brain International AG, Breisach	9.09			insolvent
Mermaid Pharmaceuticals GmbH, Hamburg	13.99			insolvent
Medi Globe Corp., Tempe/Arizona	6.53	Dec. 31, 2002	€12,052,457.00	€-2,788,639.40
e-m-s new media AG, Dortmund	6.81	Dec. 31, 2002	9,206,186.70	€-5,060,027.04
Werbas AG, Holzgerlingen	30.72	Dec. 31, 2002	€3,062,123.91	€-1,065,473.52
Stillking Film Group N.V., Amsterdam [1])	5.96	Dec. 31, 2002	€4,316,517.80	€1,441,789.30
SAF Simulation, Analysis and Forecasting AG, Tägerwillen / Switzerland [2])	16.19	Dec. 31, 2002	€776,655.87	€-1,445,354.60

*) consolidated companies
[1]) Shareholders' equity and the net profit/loss for the most recent year translated (EUR/USD 1.2429).
[2]) Shareholders' equity and the net profit/loss for the most recent year translated (EUR/CHF 1.5747).

Unterschleissheim, March 10, 2004
Baader Wertpapierhandelsbank AG

The Executive Board

Uto Baader Dieter Brichmann Stefan Hock Dieter Silmen

Auditors' Report

We have audited the consolidated financial statements, comprising the balance sheet, the income statement, the statements of changes in equity and cash flows, the segment reporting and the notes to the financial statements of Baader Wertpapierhandelsbank AG, Unterschleissheim, for the fiscal year January 1 to December 31, 2003. The preparation and content of the consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion as to whether the consolidated financial statements comply with the International Accounting Standards/International Financial Reporting Standards (IASs/IFRSs), based on our audit.

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

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

Our audit, which also extends to the group management report prepared by the Company's management for the fiscal year January 1 to December 31, 2003, has not led to any reservations.

In our opinion, on the whole the group management report and the other disclosures contained in the consolidated financial statements provide a suitable understanding of the Group's position and suitably present the risks of future development. We also confirm that the consolidated financial statements and the group management report for the fiscal year January 1 to December 31, 2003 satisfy the conditions required for the Company's exemption from its obligation to prepare consolidated financial statements and a group management report in accordance with German law. We conducted our audit of the compliance of the Group's accounting with the 7th EU Directive and the EU Bank Accounts Directive required for the exemption from the requirement for consolidated accounting pursuant to German commercial law on the basis of the interpretation of the Directive contained in GAS 1 issued by the German Accounting Standards Committee.

Bremen, March 29, 2004

Clostermann & Jasper Partnerschaft
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Dipl.-Oec. Torsten Jasper
Wirtschaftsprüfer

Dipl.-Kfm. Christian-Peter Lamm
Wirtschaftsprüfer