BAADER
Wertpapierhandelsbank AG

Consolidated Financial Statements of Baader Wertpapierhandelsbank AG

as of December 31, 2004

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Group Management Report

The market

In 2004, the financial markets were again subject to extreme fluctuations in sentiment and reported widely varied results. However, on the whole, the world's leading indices only saw small price shifts. The Dow Jones Industrial Average was down 4% in the past year, while the NASDAQ 100 Index remained more or less flat with growth of 2%. Other major leading indices, such as Japan's Nikkei-225 and the DJ Stoxx 50 were up by 3% and 7% respectively. The transitional economies recorded significantly larger gains in the past year. Particularly notable in this segment were new EU member states such as the Czech Republic (+ 86%) and Poland (+43%). The Vienna Stock Exchange was also able to benefit from this development with gains of 57%. Thailand, which was the top performer in 2003 with share price gains of more than 100%, suffered a downturn of 14% in 2004.
Germany's headline index, the DAX, increased by 7% in 2004, the MDAX shone again with a rise of 20% after 48% in the previous year, and the SDAX recorded gains of another 22% after growth of 51% in 2003. The TecDAX, however, dropped 4%. The REX Performance Index (German government bonds) saw a gain of 7% compared to the previous year.

The total turnover on German stock exchanges increased slightly from €3.2 trillion to €3.3 trillion; of this amount, €993 billion was attributable to shares (+9% up on the previous year), €64 billion of which was accounted for in turn by foreign shares (+25% up on the previous year).Total bond turnover amounted to €709 billion, and €1.6 trillion was generated by derivative products and ETFs (source: Deutsche Börse AG).

In mid-2004, the number of shareholders and equity fund shareholders stabilized at just over 16% of the German population (source: DAI – German Institute for Share Promotion).

After 2003 – when there were no IPOs apart from the spin-off of Hypo Real Estate AG – the slight increase to five IPOs with an issuing volume of €1.97 billion demonstrated a revival in interest in IPOs.

Baader Wertpapierhandelsbank AG's market position

The past fiscal year saw continued consolidation within the sector. After the encouraging market upturn in Q1 2004 eased the situation somewhat, the extremely difficult and very volatile stock market environment again put pressure on the liquidity situation and equity base of some securities trading houses from Q2 onward. The continually growing requirements in terms of the technical equipment used by traders and guaranteed execution times and liquidity provision on the stock exchanges, as well as the announcement by the Frankfurt Stock Exchange that it would be redistributing the order books on its first and second segments as of July 1, 2005, gave renewed impetus to consolidation in the sector.

Baader Wertpapierhandelsbank AG used the year 2004 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 by acquiring Frankfurt/Main-based Heribert Schollmeyer Wertpapierhandels GmbH. The acquisition of Munich-based SMS - Sobota, Maier & Stopp Wertpapierhandels GmbH expanded the Bank's bond trading activities on the Munich Stock Exchange, while the acquisition of Jörg D. Reuter Wertpapierhandels GmbH, Frankfurt/Main, represented the takeover of the leading company for specialist derivatives activities in Frankfurt.

In Q1 2004, the majority interest in KST Wertpapierhandel AG was sold to a group of investors.

After the General Meeting approved an expansion of the Bank's business activities in July 2004, Baader Wertpapierhandelsbank AG was able to build a foundation for further institutional client services in Germany and abroad with the purchase of CK tr@ding Bank GmbH (now known as Baader Service Bank GmbH), Frankfurt/Main.

The Bank managed a total of 42,686 order books at the balance sheet date, of which 8,348 order books related to equities, 28,637 to warrants, certificates and ETFs, and 5,701 to bonds and profit participation certificates.

In fiscal year 2004, 11 equity transactions with a total volume of over €57 million were performed. Support was provided for two companies in admission to the third segment of the Munich Stock Exchange. However, poor market receptiveness caused planned new issues to be postponed.

Baader Wertpapierhandelsbank AG's equity again increased slightly in 2004 and offers a solid basis for further expansion in 2005 – and not just in comparison with its competitors.

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

Subsidiaries and associates

In the course of 2004, Baader Wertpapierhandelsbank AG acquired a 100% interest in the following companies, which were then merged with the Bank: Heribert Schollmeyer Wertpapierhandels GmbH, Frankfurt/Main, SMS - Sobota, Maier & Stopp Wertpapierhandels GmbH, Munich, and Jörg D. Reuter Wertpapierhandels GmbH, Frankfurt/Main.

In addition, a 100% interest in Baader Service Bank GmbH (formerly CK tr@ding Bank GmbH) was acquired in September 2004. The company was fully consolidated in the financial statements of Baader Wertpapierhandelsbank AG for the first time as of December 31, 2004.

As in fiscal year 2003, the 100% interest in Baader Management AG was also fully consolidated in the Group's financial statements.

The 50% interest in Heins & Seitz Capital Management GmbH, Munich, and, for the first time, the 35.98% interest in SPAG St. Petersburg Immobilien- und Beteiligungs AG, Darmstadt, were included in the consolidated financial statements as associates at equity.

Key events after the balance sheet date

In November 2004, Baader Wertpapierhandelsbank AG signed an agreement on the disposal of five equity investments from its banking book. The agreement was physically executed at the end of January. The transaction, which had an aggregate volume of €5,100 thousand, generated book profits that have been included in the remeasurement result for fiscal year 2004.

Effective January 1, 2005, the equity interest in Heins & Seitz Capital Management GmbH, Unterschleissheim, was increased from 50% to 70%.

Business and earnings developments

The following overview comprises the main elements of the income statements for 2004 and 2003, together with the respective changes.

thousands of €	2004	2003	Change	%
Net interest expense	-423	-144	-279	n.a.
Allowance for losses on loans and advances	-34	-86	+52	n.a.
Net fee and commission income	14,386	2,970	+11,416	+384.4
Net trading income	30,028	28,145	+1,883	+6.7
Net income from available-for-sale financial instruments and equity-accounted investments	4,597	3,464	+1,133	+32.7
Net income from investment securities	0	207	-207	-100.0
Administrative expenses	45,333	39,949	+5,384	+13.5
Profit/loss from operations	**3,221**	**-5,393**	**+8,614**	**n.a.**
Other income and expenses, net	827	7,657	-6,830	-89.2
Profit from ordinary activities	**4,048**	**2,264**	**+1,784**	**+78.8**
Tax expense	-172	91	-263	n.a.
Net profit for the period before minority interest	**4,220**	**2,173**	**+2,047**	**+94.2**

In the current fiscal year, the profit from operations increased by €8,614 thousand, again up considerably over the previous year. This improvement is attributable to the successful restructuring, the higher stock exchange turnover (in Q1 2004 at least) and the anticyclical expansion of our core business segments. Thanks to the encouraging development of net other income, the Bank recorded a profit from ordinary activities in the amount of €4,048 thousand. This corresponds to an increase of 78.8% over the previous year. The profit from ordinary activities includes a loss from the consolidation of Baader Service Bank GmbH in the amount of €676 thousand.

The net interest expense item declined by €279 thousand year-on-year. This is mostly attributable to the lower average level of loans and advances to banks during the year and the expansion in the securities portfolio volume, which is funded in part by raising short-term loans from credit institutions.

The positive increase in net fee and commission income from €2,970 thousand to €14,386 thousand was particularly rewarding. This is primarily attributable to the expansion of the Bank's agency and specialist fixed-income and derivatives activities, as well as to the higher level of net fee and commission income generated by the Capital Market Services business unit. On the whole, however, all business units contributed to this improvement in income.

Net trading income grew by 6.7% over the previous year to €30,028 thousand despite the considerable drop in trading volume on the market as a whole since May thanks to our capture of additional market share.

Net income from available-for-sale financial instruments consists of income of €785 thousand and losses of €29 thousand from the disposal of equity investments and securities held in the banking book. Net gains (i.e. the net aggregate of write-downs and reversals on write-downs) on the remeasurement of equity investments and investment securities amount to €3,203 thousand.

With regard to administrative expenses, €23,209 thousand is attributable to personnel expenses (previous year: €21,084 thousand) and €15,823 thousand to other administrative expenses (previous year: €15,035 thousand). Amortization/depreciation of intangible assets and property and equipment amounted to €6,301 thousand (previous year: €3,830 thousand).
The increase in personnel expenses of €2,125 thousand is almost exclusively attributable to higher variable salary components. The amortization/depreciation of intangible assets and property and equipment relate primarily to the order books acquired in the past three years, the administration building in Unterschleissheim and the new trading software that the Bank began using in early 2004.

The other income and expenses, net item comprises income of €1,302 thousand and expenses of €421 thousand. The income component comprises €367 thousand in prior-period income, €289 thousand in rental income and €248 thousand in income from compensation for non-monetary benefits from the private use of company cars. Of the expenses, €147 thousand is due to merger losses, €106 thousand to losses from the disposal of assets and €97 thousand to prior-period expenses.

Net assets

The overview below illustrates the main items on the balance sheet for fiscal year 2004 compared with the previous year.

Assets thousands of €	2004	2003	Change	%
Cash reserve	161	0	161	+100.0
Loans and advances to banks	25,234	14,059	11,175	+79.5
Loans and advances to customers	1,343	2,864	-1,521	-53.1
Allowance for losses on loans and advances	-167	-188	-21	n.a.
Assets held for trading	27,666	18,936	8,730	+46.1
Available-for-sale financial instruments				
a) Shares and equity investments	19,776	15,828	+3,948	+24.9
b) Bonds and debt securities	6,753	8,584	-1,831	-21.3
Equity-accounted investments	4,017	1,025	2,991	+291.9
Investment securities	0	3,697	-3,697	-100.0
Land and buildings	21,586	22,166	-580	-2.6
Other property and equipment	1,870	2,290	-420	-18.3
Intangible assets and goodwill	24,303	15,203	+9,100	+59.9
Recoverable income taxes	1,216	1,475	-259	-17.6
Other assets	3,300	2,820	+480	17.0
Deferred tax assets	28,886	28,624	+262	+0.9
Total assets	**165,944**	**137,383**	**+28,561**	**+20.8**
Liabilities and Equity				
Deposits from other banks	24,015	15,099	+8,916	+59.1
Due to customers	15,037	0	15,037	+100.0
Provisions	7,098	7,508	-410	-5.5
Provisions for taxes	1	0	1	+100.0
Other liabilities	6,650	5,675	+975	+17.2
Deferred tax liabilities	708	514	+194	+37.7
Minority interest	0	813	-813	-100.0
Equity	112,435	107,774	+4,661	+4.3
Total liabilities and equity	**165,944**	**137,383**	**+28,561**	**+20.8**

Total assets rose by €28,561 thousand or 20.8% to €165,944 thousand in the year under review. This increase is largely the result of the consolidation of Baader Service Bank GmbH and the capitalization of acquired rights in order books.

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

Trading assets mostly relate to listed shares and bonds.

Available-for-sale financial instruments primarily consist of shares totaling €16,847 thousand, investments of €2,929 thousand, as well as bonds and debt securities totaling €6,753 thousand. The increase in the shares and equity investments item was mainly due to the reversal of write-downs.

Equity-accounted investments relate to the interest in Heins & Seitz Capital Management GmbH, Munich, and the interest in SPAG St. Petersburg Immobilien- und Beteiligungs AG, Darmstadt, which was carried at equity in the consolidated financial statements for the first time in the year under review in accordance with IAS 28.

The land and buildings item consists solely of the administrative building in Unterschleissheim, which was occupied in 2002.

The increase in intangible assets and goodwill in the amount of €7,385 thousand resulted from the capitalization of acquired rights in order books.

Receivables from fees and commission and price differences account for €1,634 thousand and reinsurance claims for life insurance account for €1,056 thousand of the other assets item. Deposits from other banks comprise long-term loans of €14,157 thousand taken out to finance the administrative building.

The amount due to customers item relates mostly to margin payments on exchange-traded contracts by clients of Baader Service Bank GmbH.

Provisions primarily comprise provisions for personnel expenses, cost allocations by regulatory authorities, and restructuring expenses at Baader Service Bank GmbH.

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

The profit generated in fiscal year 2004 improved the Company's equity base. With an equity ratio in excess of 67.8%, the Company has competitive capital resources which will ensure further growth.

Financial position

The Group's liquidity was guaranteed at all times during the period under review. At the balance sheet date, short-term loans and advances to other banks amounted to €25,234 thousand and available-for-sale assets held for trading, bonds and debt securities amounted to €34,419 thousand and, while short-term liabilities to other banks and customers totaled €24,894 thousand. This results in a net balance-sheet liquidity surplus of €34,759 thousand (previous year: €44,806 thousand).

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

In the year under review, the number of staff employed by the AG at the balance sheet date rose from 165 year-on-year to 218. The increase in the number of staff was due on the one hand to the hiring of 25 employees in the operating units in the AG, and on the other to the 16 additional staff transferred as a result of the acquisition of CK tr@ding Bank GmbH (now known as Baader Service Bank GmbH).

Baader Wertpapierhandelsbank AG places particular emphasis on the high level of qualifications and further education of its employees. The Bank constantly strives to increase its attractiveness to employees by offering additional social benefits to its staff.

The management would like to thank all employees for the dedication and loyalty they demonstrated over the past fiscal 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 and is managed 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 (until December 31, 2004), Dortmund, Frankfurt and Stuttgart.

Risk Report

Professional handling of opportunities and risks – i.e. their identification, measurement and efficient management – is the foundation of Baader Wertpapierhandelsbank AG's business activities. 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).

The risk policy laid down by the full Executive Board 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. In addition, this policy stipulates organizational guidelines, the general framework and responsibility for these areas. In particular the risk control department is responsible for measuring and limiting risk, monitoring risk positions and limits, reporting, and compliance with the risk policy.

Risk control at the Baader Group's consolidated subsidiaries is ensured via executive body 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. Risk control at Group subsidiary Baader Service Bank (formerly CK tr@ding Bank GmbH) is ensured through the influence exerted by an authorized signatory (Prokurist) and an Executive Board member of Baader Wertpapierhandelsbank, who are members of the management of Baader Service Bank. In the course of 2005, Baader Service Bank will be integrated fully into Baader Wertpapierhandelsbank's risk policy. Baader Management AG did not perform any operational activities in the past year.

In the past year, the following streamlining measures were undertaken in the Group: the merger of Heribert Schollmeyer Wertpapierhandels GmbH, the merger of Baader Derivate GmbH (formerly Jörg D. Reuter Wertpapierhandels GmbH) and the merger of SMS – Sobota, Maier & Stopp Wertpapierhandels GmbH. On March 25, 2004, the General Meeting of KST Wertpapierhandels AG voted to continue the existence of the company and resolved a capital increase, which resulted in a dilution of the interest held by Baader Wertpapierhandelsbank.

To limit the risks it faces, the Bank has installed a system for measuring and monitoring risk positions and for analyzing and managing related potential losses. The risk capital available to the bank as a whole is allocated to the individual units and profit centers using a top-down approach, e.g., taking RORAC ratios into account. The following relevant risk types have been identified: credit risks including country risks and investment risks, market price risks, liquidity risks, property risks, and operational risks including legal risks.

Credit risks

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

Baader Service Bank GmbH is mainly only exposed to credit risks from the low volume of securities loans it grants; these risks are managed at the level of the company itself. As a result, all of the credit risks described below relate to Baader Wertpapierhandelsbank AG.

When trades are settled, a counterparty risk can arise if a trading partner fails to fulfill all his or her obligations. A distinction must be made between the replacement risk in the event of default of a counterparty and the resulting inability to settle transactions that have been concluded on the one hand, and the advance payment risk that can arise from transactions not settled as delivery versus payment (DVP) transactions on the other.

As a rule, all of the Bank's transactions are settled as delivery versus payment transactions (no advance payment risk) by our settlement banks, which means that all securities transactions are booked as of the value date and the funds settled accordingly. The only exception is the settlement of borrower's note loan transactions. Payment and execution of these transactions do not occur concurrently, so Baader is subject to counterparty risk in the sense of an advance payment risk in this case. At the end of the year, this advance payment risk at Baader Wertpapierhandelsbank amounted to approximately €0.80 million in accordance with Principle I.

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 complied with during individual days, are designed so that regulatory limits on large-volume loans cannot be exceeded. The largest individual commitments in the trading book can all be liquidated quickly. The following table provides a breakdown of individual loan commitments valued at over €1 million by industry at the end of the year in €:

FINANCIAL SERVICES COMPANIES	4,748,992
RETAIL / WHOLESALE / SERVICES	7,578,284
PUBLIC SECTOR	2,887,213
COMMERCIAL REAL ESTATE	2,993,818
MANUFACTURING	3,916,930
OTHER	3,363,159

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 (for example, exchange controls). The country risk currently only applies to bonds denominated in euros or DM which are issued by issuers domiciled outside the eurozone or bonds denominated in foreign currency issued by issuers domiciled within the eurozone. At the end of the year, all of the positions with an inherent country risk were set to mature in the short to medium term. The anticipated loss in the event that these receivables all default within a single year amounted to €0.03 million at the end of the year.

In terms of classic credit risk, it must be noted that Baader Wertpapierhandelsbank does not perform classic lending operations (which involve issuing loans to customers), but instead only makes money market deposits at banks (due in less than 3 months). Money market facilities exist at the Bank for such transactions based on credit checks with the corresponding credit decisions.

Baader Service Bank GmbH’s securities loans are secured with listed securities; whose lending value is calculated very conservatively.

In the past, the Bank regularly made equity investments 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 Bank 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, as in fiscal year 2004, will be liquidated in the medium term using suitable exit strategies.

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 investees, the analyses are generally based on market prices (stock market prices). Investments are included in the calculation of risk capital and in annual planning for future fiscal years.

Market price risks

Market price risk is the risk of fluctuation in the value of the item under consideration due to changes in market prices, e.g., share price changes, exchange rate and interest rate changes, and volatility changes.

In the past year, the Group subsidiaries were not subject to any material market price risk. At the end of the year, Baader Wertpapierhandelsbank held the following risk positions with the following market values in millions of €:

Equities	20.65
Bonds	7.77
Derivatives	-7.94

The derivatives item is largely due to a short position in 70 Bund future contracts that was used to hold the fixed-income trading portfolio.

Market price risks are measured using a value-at-risk (VaR) model based on Monte Carlo simulations and applying a one-day holding period along with a confidence level of 1%. The input risk parameters are determined using a variance-covariance matrix based on the Bank's own time series.

In past years, the following VaR values were calculated:

Value-at-risk of the trading segments					
€ million	2000	2001	2002	2003	2004
Year-end VaR	4.82	0.34	0.73	0.65	0.74
Minimum VaR	2.80	0.31	0.19	0.41	0.70
Maximum VaR	6.45	4.90	1.10	1.48	1.73
Average VaR	4.25	1.26	0.40	1.12	1.04

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.

Based on the risk capital available to the Bank as a whole, limits for market price risks are defined annually at the beginning of the fiscal year by a resolution passed by a majority of the Company's overall Executive Board. These limits serve simultaneously as the maximum limits for losses and are allocated to the individual units using a top-down approach.

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 Baader Wertpapierhandelsbank, the liquidity of the – principally – foreign asset categories on their respective home stock exchanges is the decisive factor.
The Bank's short-term liquidity is managed via cash management. Payment flows are analyzed daily and a liquidity status report giving the current liquidity position is prepared. This is then used as the basis for cash management. Moreover, we have sufficient credit lines available at all times.

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

The liquidity ratio in accordance with Principle II, which represents the ratio of cash to payment obligations, amounted to 11.3 at Baader Wertpapierhandelsbank AG at the end of the year. The average for the year was the same. The amount of the Bank's payment obligations is not permitted to exceed the available cash; consequently, the liquidity ratio may not fall below 1.

Property risk

The new administration building owned by the Bank at Weihenstephaner Strasse 4 in Unterschleissheim serves as its 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 €0.84 million for the fiscal year.

Operational risks

Operational risks can result from malfunctions (programming errors, incorrect operation, hardware failure) or emergency situations that affect the availability of IT systems. Inspections of the IT systems, procedures and access rights are documented in writing. Applications for authorizations to access trading, risk and settlement systems must be submitted by the relevant department. The process itself is IT-based and can be accessed using the Bank's intranet.

The availability of these systems is guaranteed using an IT backup procedure that complies with the recommendations by the *Bundesamt für Sicherheit in der Informationstechnik* (Federal Office for Information Technology Security), which includes data centers in separate fire compartments, redundant and mirrored hardware, outsourced data backups, a backup data center and testing procedures for software. If a system crashes, the written recovery and emergency plans in Baader's operating procedures must be followed. These plans are adapted at regular intervals to reflect changes in the processes concerned. Managers are informed using a predetermined escalation policy. The employee responsible for the process at the relevant escalation level implements the measures described in the emergency manual.

In addition, program availability is ensured by maintaining the software on a second system located in the backup data center. This software is activated in accordance with the emergency plan of the reporting company if the primary system fails.

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. Legal risks are managed by the central legal services department. They include early identification of possible losses from legal risks, as well as advising and informing the Executive Board about the effects of changes in the legal environment.

To minimize legal risk, trading by the operating units is only permitted on markets with standardized trading or settlement procedures. 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.
At the end of the year, no significant ongoing or potential legal disputes involving material financial risks had been identified.

Outlook

After the moderate growth in share prices on the markets in the past year, further clear price gains are expected in the current year. An above-average increase in trading volume is anticipated once again.

The profit forecasts published by many companies are optimistic compared to the previous year. Once again, we believe that any surprises in 2005 are likely to be pleasant rather than unpleasant. Political developments, particularly in the Middle East, will continue to contribute to the uncertainty on the world's markets.

Thanks to its sound equity base, large staff of well-trained employees and substantial technological and organizational expertise, Baader Wertpapierhandelsbank AG has positioned itself as a strong, stable partner to 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 performance 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 2005, Baader Wertpapierhandelsbank AG will concentrate on further expanding its institutional agency business, particularly with the services of newly acquired Baader Service Bank GmbH, in addition to growing its specialist activities. 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 2005.

Assuming a sustained revival on the markets, capital market services activities are expected to increase. Stock market sentiment in 2005 will demonstrate a growing appetite for new issues and capital increases.

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 profit further in 2005.

Unterschleissheim, February 16, 2005
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, including the risk situation and risk management, as well as key business transactions, and discussed these issues with the Executive Board. The Supervisory Board monitored the activities of management and was included in decisions of major importance.

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, financial development, key business transactions, as well as the latest changes on the stock market. The Supervisory Board was also informed between meetings about major projects. Where necessary, resolutions were passed in written form.

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 and the risk situation of Baader Wertpapierhandelsbank AG and the Group. 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.

The Supervisory Board regularly discusses corporate governance issues and has generally acknowledged the recommendations of the German Corporate Governance Code. In its meeting on December 13, 2004, the Supervisory Board, together with the Executive Board, issued an updated declaration of conformity as 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. At the same meeting, the Supervisory Board approved the new versions of the By-laws of the Supervisory Board and Executive Board.

In its meeting on December 13, 2004 the Supervisory Board conducted a test of the efficiency of its own activities; the result was positive. The Supervisory Board also ensured that in the past fiscal year Baader Wertpapierhandelsbank AG fulfilled the recommendations of the Corporate Governance Code in accordance with its declaration of conformity dated December 2003. No conflicts of interest relating to the members of the Supervisory Board occurred in the year under review.

On September 8, 2004, the Supervisory Board dissolved the Audit Committee which was established on December 10, 2002 and which had primarily addressed issues concerning accounting, risk management, the engagement of the auditors of the financial statements, ensuring their independence as required, and agreeing their fees and the focus of their audits. The Supervisory Board determined that the Committee had performed its duties successfully, but that a separate committee was not appropriate in view of the size of the Supervisory Board and the costs and effort involved. The activities of the Committee have been assumed once more by the overall Supervisory Board.

The annual financial statements and management report of Baader Wertpapierhandelsbank AG and the consolidated financial statements for the year ended December 31, 2004, 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. The consolidated financial statements were prepared in accordance with International Accounting Standards/International Financial Reporting Standards (IASs/IFRSs) and also audited by the auditors of the financial statements in accordance with the International Standards on Auditing (ISAs). The auditors confirmed that the consolidated financial statements and the group management report for the fiscal year from January 1 to December 31, 2004 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.

All members of the Supervisory Board were sent the documents relating to the annual financial statements, the auditors' reports and the proposal on utilization of net retained earnings by the Executive Board in good time. In its meeting held today to discuss the annual results, 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. The auditors reported on their audit as a whole and on individual areas of emphasis, presented the key findings of their audit, and provided detailed answers to the questions posed by the members of the Supervisory Board. The Supervisory Board concurred with the auditors' findings. Following the conclusion of its examination, the Supervisory Board did not raise any objections.

The Supervisory Board approved the 2004 annual and consolidated financial statements prepared by the Executive Board in its meeting today. The 2004 annual financial statements have therefore been adopted. The Supervisory Board agrees with the proposal of the Executive Board to distribute a dividend of €0.10 per no par-value share carrying dividend rights from net retained earnings and to carry forward the remaining amount for new account.

In 2004, the Supervisory Board renewed Dieter Brichmann’s contract as a member of the Executive Board for a further five years and Stefan Hock's contract for another three years. At the end of the General Meeting on July 14,2004, Josef Faltenbacher stepped down from the Supervisory Board. The Supervisory Board thanked him for his constructive contribution to and hard work for this committee. Helmut Schreyer (Munich) was elected to replace him.

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

Unterschleissheim, March 23, 2005

The Supervisory Board

Declaration of Conformity in Accordance with Section 161 of the AktG by the Executive Board and the Supervisory Board of Baader Wertpapierhandelsbank AG for 2004

The Executive Board and Supervisory Board of Baader Wertpapierhandelsbank AG declare in accordance with section 161 of the *Aktiengesetz* (AktG – German Public Companies Act) for 2004 that the Company complied and will continue to comply with the recommendations of the "Government Commission on the German Corporate Governance Code" published by the Federal Ministry of Justice in the official section of the electronic *Bundesanzeiger* (Federal Gazette) on July 4, 2003 (version dated May 21, 2003) with the following exceptions:

1) Section 4.2.3 (2) of the German Corporate Governance Code (new version dated May 21, 2003), lays down the following in relation to the variable remuneration of the members of the Executive Board: “In particular, company stocks with a multi-year blocking period, stock options or comparable instruments (e.g. phantom stocks) serve as variable compensation components with long-term incentive effect and risk elements.Stock options and comparable instruments shall be related to demanding, relevant comparison parameters. Changing such performance targets or the comparison parameters retroactively shall be excluded. For extraordinary, unforeseen developments a possibility of limitation (Cap) shall be agreed for by the Supervisory Board.”

In the General Meeting on July 14, 2004, a stock option plan was approved for members of the Executive Board and Baader Wertpapierhandelsbank AG employees. This is a variable compensation system in accordance with the German Corporate Governance Code, with one exception. The Company has rejected the possibility of a cap on income in the case of stock options, as this does not correspond to the incentive goals of a variable compensation system.

2) Section 4.2.4 of the German Corporate Governance Code lays down the following: “Compensation of the members of the Executive Board shall be reported in the Notes to the Consolidated Financial Statements subdivided according to fixed, performance-related and long-term incentive components. The figures shall be individualized.”

Baader Wertpapierhandelsbank AG reports the Executive Board salaries in the Notes of to its Annual Financial Statements subdivided according to fixed and performance-related components. Baader Wertpapierhandelsbank AG has rejected the individualized reporting of its Executive Board salaries, as the Company sees no benefit in this practice.

3) Section 7.1.2 of the German Corporate Governance Code lays down the following: “The Consolidated Financial Statements will be prepared by the Executive Board and examined by the auditor and the Supervisory Board. The Consolidated Financial Statements shall be publicly accessible within 90 days of the end of the financial year; interim reports shall be publicly accessible within 45 days of the end of the reporting period”.

Baader Wertpapierhandelsbank AG’s shares are listed in the Prime Standard of the Official Market on the Frankfurt Stock Exchange. The Frankfurt Stock Exchange rules and regulations stipulate a period of four months for the publication of the Consolidated Financial Statements, and a period of two months for the publication of the interim reports. These periods are complied with. To comply with earlier periods above and beyond this would entail inappropriate organizational effort.

4) Section 5.4.5 of the German Corporate Governance Code lays down the following: “Compensation of the members of the Supervisory Board takes into account the responsibilities and scope of tasks of members of the Supervisory Board as well as the economic situation and performance of the enterprise. Also to be considered here shall be the exercising of the Chair and Deputy Chair positions in the Supervisory Board as well as the chair and membership in committees.”

In the General Meeting on July 14, 2004, a compensation concept for the Supervisory Board was approved that complies with the conditions of the German Corporate Governance Code.

5) Section 5.4.5 (last paragraph) of the German Corporate Governance Code lays down the following: “The compensation of the members of the Supervisory Board shall be reported in the Notes to the Consolidated Financial Statements, subdivided according to components”.

Baader Wertpapierhandelbank AG reports the compensation of the members of the Supervisory Board in the Notes to its Annual Financial Statements according to fixed and performance-related components. It does not intend to report them on an individual basis, as the Company sees no benefit in this practice.

6) Section 3.8 (2) of the German Corporate Governance Code lays down the following: “If the Company takes out a D&O (directors and officers’ liability insurance) policy for the Executive Board and the Supervisory Board, a suitable deductible shall be agreed”.

In April of this year, Baader Wertpapierhandelsbank AG took out a suitable D&O policy in favor of the Company’s executive bodies and senior executives. A deductible was not agreed.

7) Section 5.3.2 of the German Corporate Governance Code lays down the following: “The Supervisory Board shall set up an Audit Committee which, in particular, handles issues of accounting and risk management, the necessary independence required of the auditor, the issuing of the audit mandate to the auditor, the determination of auditing focal points and the fee agreement”.

After the General Meeting in 2004, the Supervisory Board dissolved the Audit Committee set up in December 2002. The Supervisory Board found that the Committee performed its work successfully, but that in view of the size of the Supervisory Board, a special committee was not reasonable with regard to the costs and effort involved. The tasks of the Audit Committee will be resumed again in full by the Supervisory Board as a whole in future.

December 2004

The Executive Board

The Supervisory Board

Consolidated Financial Statements for 2004

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CONSOLIDATED BALANCE SHEET FOR THE PERIOD ENDED DECEMBER 31, 2004

Assets	Note	Dec. 31, 2004 €	Dec. 31, 2003 € thousands
1. Cash reserve	(6, 30)	161,125.43	0
2. Loans and advances to other banks	(7, 31)	25,234,020.71	14,059
3. Loans and advances to customers	(7, 32)	1,342,719.31	2,864
4. Allowance for losses on loans and advances	(8, 20, 33)	-166,828.89	-188
5. Assets held for trading	(9, 21, 34)	27,666,321.00	18,936
6. Available-for-sale financial instruments	(10, 21, 35)	26,529,135.32	24,412
7. Equity-accounted investments	(4, 36)	4,016,434.39	1,025
8. Investment securities	(11, 21, 37)	0.00	3,697
9. Property and equipment	(12, 22, 38)	23,455,856.94	24,456
10. Intangible assets	(13, 22, 39)	23,340,227.75	15,203
11. Goodwill	(14, 39)	962,964.40	0
12. Recoverable income taxes	(40)	1,215,960.30	1,475
13. Other assets	(41)	3,300,144.13	2,820
14. Deferred tax assets	(17, 27, 42)	28,886,134.90	28,624
Total assets		165,944,215.69	137,383

Liabilities and Equity	Note	Dec. 31, 2004 €	Dec. 31, 2003 € thousands
1. Deposits from other banks	(15, 43)	24,014,928.91	15,099
2. Amounts due to customers	(15, 44)	15,037,004.95	0
3. Provisions	(16, 25, 26, 45)	7,098,672.31	7,508
4. Provisions for taxes	(46)	773.26	0
5. Other liabilities and accruals	(47)	6,649,713.39	5,675
6. Deferred tax liabilities	(17, 27, 48)	708,002.41	514
7. Minority interest	(29)	0.00	813
8. Equity	(18, 23, 49)		
a) Issued capital		22,437,584.00	22,409
b) Share premium		83,199,047.21	82,856
c) Retained earnings		0.00	0
d) Revaluation reserve		279,637.79	214
e) Consolidated net profit		6,518,851.46	2,295
Total liabilities and equity		165,944,215.69	137,383

CONSOLIDATED INCOME STATEMENT
FOR THE PERIOD JANUARY 1 TO DECEMBER 31, 2004

Income Statement	Note	€	2004 €	2003 € thousands
1. Interest income	(50)	348,238.59		513
2. Interest expense	(50)	-771,653.19		-657
3. Net interest expense	(50)		-423,414.60	-144
4. Allowance for losses on loans and advances	(8, 51)		-34,086.84	-85
5. Net interest expense after allowance for losses on loans and advances			-457,501.44	-229
6. Fee and commission income	(52)	22,525,564.24		9,543
7. Fee and commission expense	(52)	-8,139,907.88		-6,573
8. Net fee and commission income	(52)		14,385,656.36	2,970
9. Net trading income	(53)		30,027,678.60	28,145
10. Net income from available-for-sale financial instruments	(54)		4,536,490.52	3,404
11. Net income from equity-accounted investments	(55)		61,404.33	59
12. Net income from investment securities	(56)		0.00	207
13. Administrative expenses	(57)		-45,332,913.62	-39,949
14. Profit/loss from operations			3,220,814.75	-5,393
15. Other operating income	(58)		1,302,069.63	8,254
16. Other operating expenses	(58)		-475,438.68	-596
17. Profit from ordinary activities			4,047,445.70	2,265
18. Income taxes on profit from ordinary activities	(17, 27, 59)		172,098.54	-91
19. Net profit for the period before minority interest			4,219,544.24	2,174
20. Minority interest in net loss	(60)		4,167.50	121
21. Net profit for the period			4,223,711.74	2,295
22. Retained earnings/accumulated losses brought forward			2,295,139.72	0
23. Withdrawals from share premium			0.00	0
24. Withdrawals from retained earnings				
a) from other retained earnings			0.00	0
25. Appropriation to retained earnings				
a) to other retained earnings			0.00	0
26. Consolidated net profit			6,518,851.46	2,295

			2004 €	2003 €
Earnings per share	(61)		0.19	0.10

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, 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**
Adjustments for appropriation of profits for 2003		+999,729.70				+999,729.70
Purchase of treasury shares	-14,000.00	-49,856.86				-63,856.86
Sale of treasury shares/exercise of stock options	+42,000.00	+138,416.01				+181,066.01
Remeasurement of provisions for pensions		+18,206.00				+18,206.00
Change in revaluation reserve				+107,648.00		+107,648.00
Change in deferred taxes				-41,401.64		-41,401.64
Other changes in equity		-763,410.22				-289,652.58
Consolidated net profit					+4,223,711.74	+4,223,711.74
Equity as of Dec. 31, 2004	**22,437,584.00**	**83,199,047.21**	**0.00**	**279,637.79**	**6,518,851.46**	**112,435,120.46**

Cash Flow Statement

			2004 € thousands	2003 € thousands
1.		**Net profit for the period before extraordinary items (incl. minority interest in net loss)**	**4,224**	**2,295**
2.		Depreciation, write-downs and write-ups on loans and advances, property and equipment, and investment securities	2,314	4,329
3.		Change in provisions	-409	-4,715
4.		Other non-cash income/expense	-1,975	-58
5.		Gains/losses on disposal of property and equipment and investment securities	-112	-617
6.		Other adjustments (net)	-1,196	-1,448
7.	**=**	**Subtotal**	**2,846**	**-216**
8.		Loans and advances		
		Loans and advances to other banks	7,039	3,201
		Loans and advances to customers	1,499	-2,628
9.		Securities (excl. investment securities)	-10,303	1,553
10.		Other operating assets	-484	-1,246
11.		Liabilities		
		Deposits from other banks	-477	1,683
		Due to customers	15,037	-35
12.		Other operating liabilities	1,169	-2,545
13.		Interest and dividends received	1,788	1,726
14.		Interest paid	-871	-509
15.		Income taxes paid	274	110
16.	**=**	**Cash flows from operating activities**	**17,518**	**1,092**
17.		Proceeds from disposals		
		Disposals of investment securities	156	9,931
		Disposals of property and equipment	286	114
18.		Payments for investing activities		
		Payments to acquire investment securities	0	-3,500
		Payments to acquire property and equipment	-1,162	-5,957
		Payments to acquire intangible assets	-13,273	-8,550
19.		Proceeds from the sale of consolidated companies and other business units	2,500	1,375
20.		Payments to acquire consolidated companies and other business units	-12,551	-6,726
21.	**=**	**Cash flows from investing activities**	**-24,043**	**-13,313**
22.		Dividends paid	0	0
23.		Other payments	117	-417
24.	**=**	**Cash flows from financing activities**	**117**	**-417**
25.		Net change in cash and cash equivalents (total of 16, 21, 24)	-6,408	-12,637
26.		Effect of exchange rate changes and changes in group structure on cash and cash equivalents	15,390	3,517
27.		Cash and cash equivalents at beginning of period	6,474	15,595
28.	=	Cash and cash equivalents at end of period	15,456	6,474
		Composition of cash and cash equivalents at Dec. 31, 2004		
		Loans and advances to other banks – payable on demand	25,169	6,794
		Deposits from other banks - payable on demand	-9,713	-321

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, and loans and advances to other banks and deposits from other banks that are payable on demand.

The other non-cash income and expense item includes goodwill amortization and write-downs, non-cash earnings components from equity-accounted investments, net gains/losses on the remeasurement of assets held for trading and gains/losses on mergers. Other adjustments is an adjustment item for interest, dividends, income tax payments and minority interest in net loss, which are reported separately.

Segment reporting

Segment reporting in the consolidated financial statements of Baader Wertpapierhandelsbank AG as of December 31, 2004 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 Capital Market Services. 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, 2004, the Group provided specialist activities for 8,348 primarily foreign equities as well as the order books for 5,701 bonds and participation certificates and 28,637 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. Baader Service Bank GmbH, which was newly acquired in 2004, also offers institutional and private investors access to German and foreign stock markets via electronic systems. The companies concerned receive fees and commissions for their agency activities and services. Trades are settled in all cases via a bank.

As part of its Capital Market Services, the Group places securities with banks in 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. The Baader Group has discontinued its former Investment business, and the investments it still holds in listed and unlisted corporations domiciled in Germany and other countries will be managed within the Capital Market Services segment with an eye toward value enhancement until they are sold.

Fiscal year 2004	Specialist Activities and Proprietary Trading	Agency Business	Capital Market Services	Others/ Consolidation	Group
Net interest income/expense	-473,146.74	23,983.80	25,748.34	0.00	-423,414.60
Allowance for losses on loans and advances	30,313.32	3,773.52	0.00	0.00	34,086.84
Net interest income/expense after allowance for losses on loans and advances	-503,460.06	20,210.28	25,748.34	0.00	-457,501.44
Net fee and commission income	11,109,912.86	2,142,088.66	1,133,654.84	0.00	14,385,656.36
Net trading income	25,206,806.06	3,374,493.40	1,446,379.14	0.00	30,027,678.60
Net income from available-for-sale financial instruments	909,574.44	26,465.76	3,600,450.32	0.00	4,536,490.52
Net income from equity-accounted investments	0.00	61,404.33	0.00	0.00	61,404.33
Net income from investment securities	0.00	0.00	0.00	0.00	0.00
Directly allocable administrative expenses	-17,544,851.16	-6,910,749.82	-945,445.68	0.00	-25,401,046.66
Other operating income, net	612,567.53	62,742.19	151,321.23	0.00	826,630.95
Income after directly allocable income/expenses	**19,790,549.67**	**-1,223,345.20**	**5,412,108.19**	**0.00**	**23,979,312.66**
Indirect allocable administrative expenses	-15,097,466.66	-4,129,901.86	-704,498.44	0.00	-19,931,866.96
Profit/loss from ordinary activities	**4,693,083.01**	**-5,353,247.06**	**4,707,609.75**	**0.00**	**4,047,445.70**
Segment assets (thousands of €)	68,496	33,759	24,273	0	126,528
Segment liabilities (thousands of €)	21,154	21,555	1,311	0	44,020
Risk-weighted assets (thousands of €)	92,109	15,658	11,062	0	118,829
Allocated capital (thousands of €)	84,080	23,000	5,355	0	112,435
Return on allocated capital based on income before taxes	5.58%	-23.27%	87.91%	0	3.60%
Investments in property and equipment and intangible assets in the period under review (thousands of €)	17,446	2,105	489	0	20,040
Depreciation/amortization of segment assets (thousands of €)	5,317	836	148	0	6,301
Average number of employees per annum	87	34	6	67	194

Segment reporting for the previous year is as follows:

Fiscal year 2003	Specialist Activities and Proprietary Trading	Agency Business	Capital Market Services	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
Directly allocable administrative expenses	-14,244,119.86	-3,075,798.23	-807,528.46	0.00	-18,127,446.55
Other operating income, net	2,452,178.77	-26,200.79	5,231,524.55	0.00	7,657,502.53
Income after directly allocable income/expenses	**19,044,366.02**	**-1,736,145.94**	**6,718,711.95**	**59,573.29**	**24,086,505.32**
Indirectly allocable administrative expenses	-18,246,750.37	-2,450,001.77	-1,125,082.54	0.00	-21,821,834.68
Profit/loss from ordinary activities	**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 per annum	114	17	7	50	188

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 its 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 Company's declaration of compliance was issued by the Executive and Supervisory Boards and made permanently accessible to shareholders on December 14, 2004 by placing it on the Company's Web site and publishing it in the electronic *Bundesanzeiger* (Federal Gazette).

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, 2004 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, 2004. 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, 2004:

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
IFRS 3	Business Combinations

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)

A number of standards were revised, amended and newly introduced in 2004 as part of the IASB's Improvement Project. The new versions of the standards concerned must be applied from January 1, 2005 onwards. Baader Wertpapierhandelsbank AG has taken the opportunity to prepare its consolidated financial statements for 2004 in accordance with the standards previously applicable.

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, 2004. Accounting in the Baader Group is performed on the basis of uniform accounting policies in accordance with IAS 27.

(4) 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, 2004.

The following companies are fully consolidated:

Company	Domicile	Equity interest %	Share capital € thousands	Equity € thousands	Total assets € thousands	Net profit/loss for 2004	First consolidated
Baader Management AG	Unterschleissheim	100.0%	50	49	53	0.05	Dec. 31, 2003
Baader Service Bank GmbH	Frankfurt/Main	100.0%	1,500	5,483	21,488	-1,170	Sept.30, 2004

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).

On September 27, 2004, Baader Wertpapierhandelsbank AG acquired 100% of the shares in the subsidiary Baader Service Bank GmbH (formerly: CK Tr@ding Bank GmbH). The company was consolidated for the first time on December 31, 2004. The purpose of the company is the provision of securities-related and other services as defined by the *Wertpapierhandelsgesetz* (German Securities Trading Act) and banking operations. The Company's banking activities extend mainly to share trading and exchange trading of derivatives for non-banks in its own name for third-party account, as well as to short-term lending business and related banking operations (particularly deposit-taking and custody operations).

The following companies are carried as equity-accounted investments in accordance with IAS 28:

Company	Domicile	Equity interest %	Share capital € thousands	Equity € thousands	Total assets € thousands	Net profit/loss for 2004
Heins & Seitz Capital Management GmbH	Unterschleissheim	50.0%	26	66	1,422	254
SPAG St. Petersburg Immobilien- und Beteiligungs AG	Darmstadt	35.98%			35,462*)	-32 *)

*) Net profit for the period and total assets as of December 31, 2003

The purpose of Heins & Seitz Capital Management GmbH 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 purpose of SPAG St. Petersburg Immobilien- und Beteiligungs AG is the purchase, management, rental, leasing, development, expansion and sale of land, real estate and leasehold rights. The purpose of the company also includes the purchase and sale of equity investments. SP AG uses Russian project companies, in which it holds a majority interest, to implement its investment projects.

Baader Wertpapierhandelsbank AG sold a majority interest in its subsidiary KST Wertpapierhandels AG i.L. (renamed KST Beteiligungs AG as of May 3, 2004), which was still consolidated in the last fiscal year, to a group of investors. The company was deconsolidated on March 31, 2004. Baader Wertpapierhandelsbank AG's remaining stake in this company is disclosed under available-for-sale financial instruments as of December 31, 2004.

In fiscal year 2004, €22,251 thousand was used to the purchase interests in subsidiaries. The subsidiaries acquired – Heribert Schollmeyer Wertpapierhandels GmbH, SMS – Sobota, Maier & Stopp Wertpapierhandels GmbH and Jörg D. Reuter Wertpapierhandels GmbH – merged with Baader Wertpapierhandelsbank AG in the course of 2004.

(5) Consolidation methods

Consolidation uses the purchase method described in IAS 22 (benchmark treatment). This requires recognition at the date of acquisition of the fair values of the identifiable assets and liabilities of the company being acquired to the extent of the interest acquired. During consolidation, the cost of the interest acquired is 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 date of acquisition and the deferred taxes calculated on these. Any remaining excess of acquisition cost over net assets acquired is recognized as goodwill. IFRS 3.54f. stipulates that this goodwill be tested for impairment only in accordance with IAS 36 (impairment-only approach) on an annual basis. Therefore, goodwill may no longer be reduced by straight-line amortization over its useful life. Negative goodwill is recognized immediately in income. Minority interests are recognized in the amount of the carrying amounts determined using uniform Group accounting and measurement principles. The minority interest item includes 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 reversed to the income statement.
Associates are accounted for at equity 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.

(6) Cash reserve

Cash reserve holdings – consisting of cash on hand and deposits with Deutsche Bundesbank – 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.
Following the acquisition of Baader Service Bank GmbH, the Group performs lending business as defined by section 1 (1) no. 2 of the *Kreditwesengesetz*.

(9) Assets held for trading

Assets held for trading 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, which means the securities are reported on the balance sheet at their fair values at the transaction date. Securities portfolio transactions are generally posted 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 price 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 also included in net trading income. All realized and unrealized gains and losses arising in relation to assets held for trading 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 in other investees 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.
In the event of probable lasting impairment, the carrying amount is written down to the fair value. 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 due to fluctuations in the fair value that do not represent 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

Investment securities are carried at cost and written down to their fair values in the event of probable lasting impairment. The discounted expected future cash flows 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 cost less cumulative depreciation and impairment losses. 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. It is now written down solely on the basis of an annual impairment test. Provided that it is not material, goodwill is reported under intangible assets, while goodwill 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. Valuation allowances are used to reflect 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) Share-based payment system for Executive Board members and employees

a) Stock Option Plan 2000

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 2000, stock options were issued to beneficiaries for the first time after the end of fiscal year 1999. The Stock Option Plan 2000 had a term of five years and expired on June 17, 2004. The last tranche was allocated on June 2, 2004.
Exercise of the options is subject to a lock-up period of two years from the date of grant. Once the lockup 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 beneficiaries of the Stock Option Plan exercised their options for the first time in fiscal year 2004. In total, they purchased 42,200 shares at €4.28 each. This resulted in expenses of €12,723.80, which were charged directly to the share premium.

	2003	2002	2001	2000	1999	Total
Options issued	161,500	234,300	258,900	120,191	120,000	894,891
Issue price	5.92	2.24	4.28	10.60	40.35	
Expired	0	20,000	92,600	52,045	34,500	199,145
Waived	1,400	0	0	0	85,500	86,900
Total distributed	**160,100**	**214,300**	**166,300**	**68,146**	**0**	**608,846**

The beneficiaries of Baader Wertpapierhandelsbank AG’s Stock Option Plan 2000 waived their rights 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.

b) Stock Option Plan 2004

With the approval of the General Meeting held on July 14, 2004, Baader Wertpapierhandelsbank AG set up the Stock Option Plan 2004. The beneficiaries comprise the Company’s Executive Board members and other employees. The Stock Option Plan has a maximum term of two years; this means that stock options cannot be issued under the Company’s Stock Option Plan after July 13, 2006. A maximum total of 300,000 stock options will be issued under this Stock Option Plan.

The stock options may only be issued to beneficiaries by the Executive Board once a year during the six-week period following the announcement of the results for the past fiscal year. Stock options will be issued for the first time after the end of fiscal year 2004.

The options may only be exercised after a lock-up period of two years from their respective issue date. Once the lock-up period has expired, the stock options may be exercised during the following five years subject to certain blocking periods, or more specifically only within the four-week period following publication of the Company's quarterly results (exercise window). At the end of the term (a maximum of seven years from the issue date), the options will expire and will not be replaced.

The options may only be exercised if (a) the closing price of Baader Wertpapierhandelsbank AG's shares in floor trading on the Munich Stock Exchange (market closing price) exceeds the issue price by more than 30% (absolute hurdle) and (b) on the last 5 trading days prior to the options being exercised, the aggregate percentage performance of Baader Wertpapierhandelsbank AG's shares since the option's issue date exceeds the percentage increase in the Prime All Share Index by at least 10% (relative hurdle), – the aggregate performance includes both share price performance and the value of cash dividends, subscription rights from capital increases and other special rights between the option's issue date and its exercise date – and (c) they do not expire prior to the exercise notice being submitted as a result of a condition attached to the options. The closing price in floor trading on the Munich Stock Exchange is deemed to be the Company's share price (performance targets). The performance targets may not be changed at a later date.

The exercise price of a stock option corresponds to the average closing price of the Company's shares in floor trading on the Munich Stock Exchange during the five trading days leading up to the second day prior to the start of the issue period for the stock options in question, but no less than the notional value of one share of Baader Wertpapierhandelsbank AG.

Depending on what the Executive Board decides, each stock option entitles the holder to purchase one share or to receive a cash payment equal to the difference between the exercise price and the average closing price of Baader Wertpapierhandelsbank AG's shares on the Munich Stock Exchange on the last five trading days prior to the Company receiving the beneficiary's exercise notice.

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 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 accounted for 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 IASs/IFRSs. 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. Impairment losses are recognized if an impairment test reveals indications that goodwill is impaired.
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 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 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. Baader Wertpapierhandelsbank AG has aligned its HGB accounting treatment with IASs, since market interest rates are now applied in the HGB financial statements for the first time instead of the rate required by tax law.

(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 IASs/IFRSs.

(27) Deferred taxes

Deferred taxes in 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, 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 equity. In the HGB financial statements, minority interests are allocated to the equity item.

Consolidated Balance Sheet Disclosures

(30) Cash reserve

The cash reserve is composed of the following items:

	Dec. 31, 2004	Dec. 31, 2003
Cash on hand	1,340.90	13.56
Deutsche Bundesbank balances	159,784.53	0.00
Total	**161,125.43**	**13.56**

(31) Loans and advances to other banks

	Dec. 31, 2004 Germany	Dec. 31, 2004 Other countries	Dec. 31, 2003 Germany	Dec. 31, 2003 Other countries
Payable on demand	9,380,140.55	15,628,007.52	6,793,755.44	588.75
Other loans and advances	225,872.64	0.00	7,264,614.71	0.00
Loans and advances to other banks	**9,606,013.19**	**15,628,007.52**	**14,058,370.15**	**588.75**
Allowance for losses on loans and advances	-992.20	0.00	0.00	0.00
Total	**9,605,020.99**	**15,628,007.52**	**14,058,370.15**	**588.75**

Other receivables include accumulated interest amounting to €17,983.45.
The remaining maturities of the Loans and advances to other banks are presented in the maturity structure (Note (68)).

(32) Loans and advances to customers

	Dec. 31, 2004	Dec. 31, 2003
German customers	**298,538.65**	**2,843,277.68**
Companies	62,180.29	2,631,007.12
Private individuals	236,358.36	212,270.56
Other	0.00	0.00
International customers	**1,044,180.66**	**20,471.49**
Companies	892,181.39	20,471.49
Private individuals	151,999.27	0.00
Other	0.00	0.00
Loans and advances to customers	**1,342,719.31**	**2,863,749.17**
Allowance for losses on loans and advances	-165,836.69	-188,424.38
Total	**1,176,882.62**	**2,675,324.79**

The remaining maturities of the loans and advances to customers are presented in the maturity structure (Note (68)).

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

	Affiliated companies		Other investees	
	Dec. 31, 2004	Dec. 31, 2003	Dec. 31, 2004	Dec. 31, 2003
Loans and advances to customers	0.00	0.00	20,471.49	20,471.49
Total	**0.00**	**0.00**	**20,471.49**	**20,471.49**

Loans and advances to customers include loans and advances amounting to €169 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	
	2004	2003	2004	2003	2004	2003	2004	2003
Balance at Jan. 1	**188,424.38**	**7,241,961.06**	**0.00**	**0.00**	**0.00**	**0.00**	**188,424.38**	**7,241,961.06**
Additions	59,908.81	55,682.33	0.00	0.00	0.00	0.00	59,908.81	55,682.33
Disposals								
Utilization	55,682.33	7,109,218.01	0.00	0.00	0.00	0.00	55,682.33	7,109,218.01
Reversals	25,821.97	1.00	0.00	0.00	0.00	0.00	25,821.97	1.00
Balance at Dec. 31	**166,828.89**	**188,424.38**	**0.00**	**0.00**	**0.00**	**0.00**	**166,828.89**	**188,424.38**

(34) Assets held for trading

Assets held for trading are composed of the following items:

	Dec. 31, 2004	Dec. 31, 2003
Bonds and other fixed-interest securities	8,019,297.61	670,849.09
thereof:		
negotiable securities	8,019,297.61	670,849.09
listed securities	8,019,297.61	670,849.09
Equities and other non-fixed-interest securities	19,647,023.39	18,265,075.22
thereof:		
negotiable securities	19,647,023.39	18,265,075.22
listed securities	19,647,023.39	18,265,075.22
Total	**27,666,321.00**	**18,935,924.31**

(35) Available-for-sale financial instruments

Available-for-sale financial instruments 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, 2004	0.00	7,706,398.93	48,468,151.94	8,593,643.83	1,849,152.22
- Additions	0.00	0.00	3,644,677.31	3,015,702.77	0.00
- Reclassifications	0.00	-4,212,367.23	170,000.00	-4,896,156.33	4,042,367.23
- Disposals	0.00	462,451.85	6,894,629.31	0.00	0.00
- Balance at Dec. 31, 2004	0.00	3,031,579.85	45,388,199.94	6,713,190.27	5,891,519.45
Revaluation reserve					
- Balance at Jan. 1, 2004	0.00	4,232.74	266,245.20	76,500.00	0.00
- Balance at Dec. 31, 2004	0.00	4,322.74	410,203.20	40,100.00	0.00
Reversals of write-downs in year under review	0.00	0.00	2,851,024.63	0.00	0.00
Write-downs					
- Balance at Jan. 1, 2004	0.00	4,600,422.94	36,016,730.89	86,117.08	1,849,150.22
- Write-downs for the period	0.00	24,999.00	347,818.74	0.00	0.00
- Reclassifications	0.00	-4,212,365.23	169,999.00	0.00	4,042,366.23
- Disposals	0.00	306,000	4,632,118.03	86,117.08	99,999.00
- Balance at Dec. 31, 2004	0.00	107,056.71	31,902,430.60	0.00	5,791,517.45
Carrying amounts					
- Balance at Dec. 31, 2003	**0.00**	**3,110,208.73**	**12,717,666.25**	**8,584,026.75**	**2.00**
- Balance at Dec. 31, 2004	**0.00**	**2,928,845.88**	**16,746,997.17**	**6,753,290.27**	**100,002.00**
there of					
negotiable securities	0.00	2,928,844.37	16,746,996.17	6,753,290.27	0.00
listed securities	0.00	2,928,843.37	11,289,275.16	6,753,290.27	0.00

The available-for-sale financial instruments include deferred interest of €62,790.27.

(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, 2004	1,026,500.00
Additions	2,993,817.60
Disposals	0.00
Balance at Dec. 31, 2004	4,020,317.60
Cumulative reversals of write-downs	
Increase in carrying amounts due to pro rata gain	251,552.70
Decrease in carrying amounts due to dividends paid	-124,860.83
Goodwill write-downs	
Balance at Jan. 1, 2004	65,287.54
Write-downs for the period	65,287.54
Disposals	0.00
Balance at Dec. 31, 2004	130,575.08
Carrying amounts	
Balance at Dec. 31, 2003	**1,024,573.29**
Balance at Dec. 31, 2004	**4,016,434.39**
thereof	
negotiable securities	2,993,817.60
listed securities	2,993,817.60

(37) Investment securities

In the previous year, investment securities related exclusively to debt securities and other fixed-interest securities. As of December 31, 2004, the securities previously classified as investment securities were reclassified as available-for sale financial instruments. The composition of, and changes in, this item are presented below:

	Debt securities and other fixed-interest securities
Cost	
Balance at Jan. 1, 2004	3,697,487.50
Additions	0.00
Reclassifications	3,697,487.50
Disposals	0.00
Balance at Dec. 31, 2004	0.00
Reversals of write-downs in year under review	0.00
Write-downs	
Balance at Jan. 1, 2004	0.00
Write-downs for the period	0.00
Reclassifications	0.00
Disposals	0.00
Balance at Dec. 31, 2004	0.00
Carrying amounts	
Balance at Dec. 31, 2003	**3,697,487.50**
Balance at Dec. 31, 2004	**0.00**
thereof	
negotiable securities	**0.00**
listed securities	**0.00**

The investment securities are composed of the following financial instruments:

	Dec. 31, 2004	**Dec. 31, 2003**
Debt securities and other fixed-interest securities		
Bonds and debt securities issued by		
- public-sector issuers	0.00	3,697,487.50
- other issuers	0.00	0.00
Total	**0.00**	**3,697,487.50**

The remaining maturities of the investment securities are presented in the maturity structure (Note (68)).

(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, 2004	5,419,517.37	23,199,812.27	0.00
Additions	897,691.48	264,018.30	0.00
Disposals	648,126.56	0.00	0.00
Reclassifications	0.00	0.00	0.00
Balance at Dec. 31, 2004	5,669,082.29	23,463,830.57	0.00
Reversals of write-downs in year under review	0.00	0.00	0.00
Depreciation			
Balance at Jan. 1, 2004	3,129,511.11	1,033,587.09	0.00
Depreciation for the period	1,157,008.92	844,345.30	0.00
Disposals	487,396.50	0.00	0.00
Reclassifications	0.00	0.00	0.00
Balance at Dec. 31, 2004	3,799,123.53	1,877,932.39	0.00
Carrying amounts			
Balance at Dec. 31, 2003	**2,290,006.26**	**22,166,225.18**	**0.00**
Balance at Dec. 31, 2004	**1,869,958.76**	**21,585,898.18**	**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 the changes in intangible assets:

	Goodwill	Concessions, industrial and similar rights and assets	Advance payments on intangible assets
Cost			
Balance at Jan. 1, 2004	0.00	12,737,766.42	6,566,811.36
Additions	962,964.40	13,209,781.56	63,426.73
Disposals	0.00	119,575.60	0.00
Reclassifications	0.00	6,630,238.09	-6,630,238.09
Balance at Dec. 31, 2004	962,964.40	32,458,210.47	0.00
Reversals of write-downs in year under review	0.00	0.00	0.00
Amortization			
Balance at Jan. 1, 2004	0.00	4,101,216.63	0.00
Amortization for the period	0.00	5,088,979.98	0.00
Disposals	0.00	72,213.89	0.00
Reclassifications	0.00	0.00	0.00
Balance at Dec. 31, 2004	0.00	9,117,982.72	0.00
Carrying amounts			
Balance at Dec. 31, 2003	**0.00**	**8,636,549.79**	**6,566,811.36**
Balance at Dec. 31, 2004	**962,964.40**	**23,340,227.75**	**0.00**

The goodwill recognized was tested for impairment in accordance with IFRS 3. This did not reveal any indications of impairment.

(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 €1,215,960.30.

(41) Other assets

The other assets are composed of the following items:

	Dec. 31, 2004	Dec.31, 2003
Other assets	3,204,973.65	2,592,618.25
Prepaid expenses	95,170.48	227,030.44
Total	**3,300,144.13**	**2,819,648.69**

Other assets include reinsurance claims to cover provisions for pensions of €1,056 thousand.

(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 tax assets relating to differences in the measurement of pension claims amounting to €129,759.12 and deferred tax assets relating to loss carryforwards amounting to €28,756,375.78.

The consolidated financial statements of Baader Wertpapierhandelsbank AG recognize deferred tax assets 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.

	Baader Wertpapierhandels-bank AG	Baader Service Bank GmbH	Total
Loss carryforward as of Dec. 31, 2003 (€ thousands)	148,706	0	148,706
+/- Tax loss/gain in 2004 (€ thousands)	-694	1,164	470
= Loss carryforward as of Dec. 31, 2004 (€ thousands)	148,012	1,164	149,176
x tax rate in %	38.57%	36.53%	-
= tax claims (€ thousands)	57,088	425	57,513
- 50% valuation allowance (€ thousands)	-28,544	-212	-28,756
= Deferred tax assets as of Dec. 31, 2004 (€ thousands)	**28,544**	**213**	**28,757**
- Deferred tax assets as of Dec. 31, 2003 (€ thousands*)	-28,451	0	-28,451
Addition to deferred tax assets/ tax income in 2004 (€ thousands)	**93**	**213**	**306**

*) calculated based on a preliminary loss carryforward of €147,800 thousand

In fiscal year 2004, probably utilizable tax loss carryforwards amounted to €149,176 thousand. This includes €30,018 thousand representing an addition to the taxable income of Baader Wertpapierhandelsbank AG, resulting from an addition to income due to impairment losses charged in the past on shares in a subsidiary. According to an expert opinion on constitutional law drawn up for Baader Wertpapierhandelsbank AG, it is highly likely that the Federal Constitutional Court will declare the current version of the provision governing addition laid down in section 12 (2) *Umwandlungssteuergesetz* (German Reorganization Tax Act) to be void. In line with revenue law, this will result in the possibility of recognizing the €30,018 thousand as a loss carryforward for Baader Wertpapierhandelsbank AG.

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 38.57% / 36.53%, the deferred recoverable taxes amount to €57,513 thousand.

Due to the introduction of the 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, the 50% valuation allowance already deducted in previous fiscal years will be maintained, and will also be applied to Baader Service Bank GmbH's recoverable taxes this year, as part of a Group measurement policy. Correspondingly, deferred tax assets on unused tax loss carryforwards of €28,757 thousand were recognized in the IAS financial statements for the year ended December 31, 2004. This resulted in a tax benefit of €306 thousand in 2004 following the recognition of deferred tax assets in the amount of €28,451 thousand on December 31, 2003.

(43) Deposits from other banks

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

	Dec. 31, 2004	Dec. 31, 2003
Payable on demand	9,713,140.65	319,851.97
With agreed maturity or notice	14,301,788.26	14,779,039.31
Total	**24,014,928.91**	**15,098,891.28**

The with agreed maturity or notice item comprises a loan for the refinancing of the business premises totaling €14,156,682.27 and deferred interest of €145,105.99.

(44) Due to customers

Amounts due to customers result exclusively from the subsidiary Baader Service Bank GmbH. They are payable on demand, and are composed of the following items:

	Dec. 31, 2004	Dec. 31, 2003
German customers	**4,858,374.38**	**0.00**
Companies	230,290.88	0.00
Private individuals	4,628,083.50	0.00
Other	0.00	0.00
International customers	**10,178,630.57**	**0.00**
Companies	8,258,445.94	0.00
Private individuals	1,920,184.63	0.00
Other	0.00	0.00
Total	**15,037,004.95**	**0.00**

The remaining maturities of the loans and advances to customers are presented in the maturity structure (Note (68)).

(45) Provisions

Provisions are composed of the following items:

	Dec. 31, 2004	Dec. 31, 2003
Provisions for pensions	4,800,703.00	4,833,088.00
Other provisions	2,297,969.31	2,674,689.89
Total	**7,098,672.31**	**7,507,777.89**

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%
- Expected return on plan assets: 4.5%
- Expected future salary increases: 0.0% - 3.0%
- Expected future pension increases: 0.0% - 1.5%

All provisions for pensions relate to unfunded pension obligations.

Pension obligations are basically financed through reinsurance policies and/or securities investments amounting to €4,553 thousand. Securities investments are carried at fair value.

In accordance with IAS 19, insurance policies used by companies to reinsure direct pension commitments may be recognized as plan assets, provided that the policies are irrevocable and that they will be used exclusively for pensions in case of the company's bankruptcy (e.g. by way of liens in favor of the beneficiaries). However, this does not apply to other assets used for reinsurance (e.g. real estate or fund shares). Plan assets were recognized for three pension commitments totaling €185 thousand.

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

	2004	**2003**
Pension obligations at Jan. 1	3,753,350.00	4,396,435
Actuarial gains/losses less past service cost	1,307,694	466,198.00
	-809,267.00	-971,528.00
Pension provisions at Jan. 1	4,251,777.00	3,891,105.00
Current service cost	439,775.00	552,845.00
Interest cost	194,314.00	254,257.00
Actuarial gains/losses recognized in year	-247,424.00	-27,380.00
Past service cost	162,261.00	162,261.00
Pension provisions at Dec. 31	**4,800,703.00**	**4,833,088.00**

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

	Balance at Dec. 31, 2004 € thousands	**Utilization € thousands**	**Reversals € thousands**	**Additions € thousands**	**Balance at Dec. 31, 2004 € thousands**
Staff	197	197	0	261	261
Litigation	152	0	0	5	157
Cost allocation	1,186	74	113	37	1,036
Miscellaneous	1,140	312	719	685	794
Taxes	0	0	0	50	50
Total	**2,675**	**583**	**832**	**1,038**	**2,298**

(46) Provisions for taxes

Provisions for taxes totaling €773.26 consist solely of pass-through income taxes from Baader Service Bank GmbH's customer business.

(47) Other liabilities and accruals

Other liabilities and accruals include other liabilities in the amount of €6,649,713.39. They consist primarily of short-term trade payables (€2,385 thousand), social security/ pension provisions (€726 thousand) and accruals (€3,330 thousand).
The accruals are primarily composed of current obligations to employees, members of the Executive Board and the Supervisory Board, legal advice and the annual financial statements and audit.

(48) 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:

	Jan. 1 – Dec. 31, 2004	Dec. 31, 2003
Assets held for trading	533,014.26	380,677.61
Available-for-sale financial instruments	174,988.15	133,586.51
Total	**708,002.41**	**514,264.12**

Deferred tax liabilities amounting to €174,988.15 were charged directly to the revaluation reserve in equity. The recognition of deferred tax liabilities resulted in a tax expense of €152,336.65.

(49) Equity

Changes in issued, contingent and authorized capital:

	Issued capital	Authorized capital	Contingent capital
Balance at Jan. 1, 2004	**22,954,341.00**	**11,477,170.00**	**5,600,000.00**
Balance at Dec. 31, 2004	**22,954,341.00**	**11,477,170.00**	**5,900,000.00**

The issued capital (share capital) at January 1, 2004 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 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 Company's share capital 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 interests, companies, or assets – including by means of all-share deals – and for business combinations, as well as to eliminate fractions (Authorized Capital II).

The resolutions on Authorized Capital I and Authorized Capital II had not been amended at December 31, 2004. Authorized Capital I amounted to €2,295,434.00 as of December 31, 2004, and Authorized Capital II to €9,181,736.00.

The issued capital as of December 31, 2004 amounted to €22,954,341.00, and was 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 that are 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 General Meeting on July 14, 2004 resolved a further contingent capital increase of up to €300,000.00. This contingent capital increase will only be implemented by issuing up to 300,000 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 that are issued under the terms of the Baader Wertpapierhandelsbank AG Stock Option Plan 2004 on the basis of the authorization issued on July 14, 2004 exercise their options (Contingent Capital 2004).

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 in each case. 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, 2004, this resolution had not been amended.

In accordance with section 71 (1) no. 7 of the *Aktiengesetz* (AktG – German Public Companies Act), the General Meeting on July 15, 2003 authorized Baader Wertpapierhandelsbank AG to buy and sell own shares initially up to January 14, 2005 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 the three preceding trading days in each case. 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 15, 2003, 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. 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 authorization was initially valid until January 14, 2005. 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 was 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 was also authorized, with the approval of the Supervisory Board, to cancel treasury 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 14, 2004 revoked the resolutions in accordance with section 71 (1) no. 7 and no. 8 of the AktG passed on July 15, 2003 and resolved the aforementioned authorizations in accordance with section 71 (1) no. 7 and no. 8 of the AktG; these are valid until January 13, 2006.

The Executive Board was also authorized by a resolution of the General Meeting on July 14, 2004, with the approval of the Supervisory Board, to offer treasury shares of the Company acquired on the basis of this authorization under the terms of the Stock Option Plan 2004 resolved by the General Meeting on July 14, 2004, to holders of options for acquisition.

Shareholders' pre-emption rights to these treasury shares are disapplied insofar as the shares are used in accordance with the aforementioned authorization.

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

	Issued capital	Share premium
Balance at Dec. 31, 2003	**544,957**	**2,497,126.25**
Additions of treasury shares	14,000	49,856.86
Disposals of treasury shares	42,200	151,139.81
Balance at Dec. 31, 2004	**516,757**	**2,395,843.30**

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 reserve

The revaluation reserve contains the gains from the fair value remeasurement of securities that are not recognized immediately in net profit or loss. The revaluation reserve also represents the contra-item for deferred taxes to be recognized for the amounts recognized in this reserve.

Consolidated Income Statement Disclosures

(50) Net interest expense

The net interest expense is composed of the following items:

	Jan. 1 – Dec. 31, 2004	Jan. 1 – Dec. 31, 2003
Interest income from	**348,238.59**	**512,981.41**
Lending and money market business	348,238.59	510,325.16
Fixed-interest securities	0.00	2,656.25
Interest expenses	**-771,653.19**	**-656,737.88**
Total	**-423,414.60**	**-143,756.47**

Interest expenses are composed primarily of interest expenses for loans amounting to €587,748.95, interest expenses on client funds amounting to €38,703.19 and interest expenses for current liabilities amounting to €24,644.64.

(51) Allowance for losses on loans and advances

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

	Jan. 1 – Dec. 31, 2004	Jan. 1 – Dec. 31, 2003
Additions to allowance	-59,908.81	-85,682.39
Reversals	25,821.97	0.00
Recoveries on loans and advances written off	0.00	0.00
Balance at Dec. 31	**-34,086.84**	**-85,682.39**

(52) Net fee and commission income

	Jan. 1 – Dec. 31, 2004	Jan. 1 – Dec. 31, 2003
Fee and commission income	**22,525,564.24**	**9,543,256.19**
Securities and issue business	2,296,700.80	218,006.33
Bro Fee and kerage fees	20,228,863.44	9,325,249.86
Fee and commission expenses	**-8,139,907.88**	**-6,573,119.56**
Brokerage fees	-1,834,978.43	-947,017.42
Settlement fees	-5,615,014.47	-5,472,719.47
Securities and issue business	-599,700.42	-61,971.83
Other fee and commission expenses	-90,214.56	-91,410.84
Total	**14,385,656.36**	**2,970,136.63**

(53) Net trading income

	Jan. 1 – Dec. 31, 2004	Jan. 1 – Dec. 31, 2003
Securities trading	**29,657,745.85**	**28,151,724.51**
- Interest and dividends	859,984.94	245,018.10
- Securities	15,797,533.97	19,191,824.52
- Options and futures	182,059.10	-1,833.49
- Price differences	13,182,286.04	8,716,715.38
Foreign currencies	**5,814.55**	**-6,684.81**
Total	**30,027,678.60**	**28,145,039.70**

(54) Net income from available-for-sale financial instruments

	Jan. 1 – Dec. 31, 2004	Jan. 1 – Dec. 31, 2003
Interest and dividend income	**519,001.71**	**603,962.36**
- Fixed-interest securities	242,153.26	556,250.04
- Equities/other non-fixed-interest securities	93,907.25	47,668.32
- Investments in other investees	182,941.20	44.00
Gain/loss on the sale of available-for-sale financial instruments	**814,487.64**	**1,181,141.44**
- Equities/other non-fixed-interest securities	785,389.49	235,217.25
- Investments in other investees	29,098.15	945,924.19
Impairment losses	**3,203,001.17**	**1,618,973.39**
- Write-downs	-372,817.74	-1,368,654.24
- Reversals	3,575,818.91	2,987,627.63
Total	**4,536,490.52**	**3,404,077.19**

(55) Net income from equity-accounted investments

	Jan. 1 – Dec. 31, 2004	Jan. 1 – Dec. 31, 2003
Interest in net income	126,691.87	124,860.30
Write-downs on goodwill	-65,287.54	-65,287.54
Total	**61,404.33**	**59,573.29**

(56) Net income from investment securities

	Jan. 1 – Dec. 31, 2004	Jan. 1 – Dec. 31, 2003
Interest income from	**0.00**	**302,701.39**
- Lending and money market business	0.00	0.00
- Fixed-interest securities	0.00	302,701.39
Impairment losses	**0.00**	**-95,640.00**
Total	**0.00**	**207,061.39**

(57) Administrative expenses

	Jan. 1 – Dec. 31, 2004	Jan. 1 – Dec. 31, 2003
Staff costs	**-23,208,979.31**	**-21,083,867.86**
- Wages and salaries	-20,478,756.74	-17,999,819.88
- Social security contributions	-1,958,121.50	-1,819,154.59
- Pension and other benefit costs	-772,101.07	-1,264,893.39
Other administrative expenses	**-15,823,300.58**	**-15,035,654.13**
Depreciation, amortization and write-downs on intangible assets and property and equipment	**-6,300,633.73**	**-3,829,759.24**
Total	**-45,332,913.62**	**-39,949,281.23**

The wages and salaries item includes variable salary components amounting to €6,880 thousand (previous year: €4,436 thousand).

(58) Other operating income and other operating expenses

	Jan. 1 – Dec. 31, 2004	Jan. 1 – Dec. 31, 2003
Other operating income	1,302,069.63	8,253,995.90
Other operating expenses	-475,438.69	-596,493.37
Total	**826,630.94**	**7,657,502.53**

Other operating income comprises items that cannot be allocated to other line items in the income statement. These relate primarily to prior-period income (€402 thousand) and rental income (€212 thousand).
Other operating expenses also comprise items that cannot be allocated to other line items in the income statement. These primarily include merger losses (€147 thousand), losses from the sales of assets (€106 thousand) and prior-period expenses (€97 thousand).

(59) Income taxes on profit from ordinary activities

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

	Jan. 1 – Dec. 31, 2004	Jan. 1 – Dec. 31, 2003
Current taxes	10,440.73	-448,959.06
Deferred taxes	161,657.81	357,662.58
Total	**172,098.54**	**-91,296.48**

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 benefit was recorded for fiscal year 2004 due to tax refunds 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:

	Jan. 1 – Dec.31, 2004	Jan. 1 – Dec. 31, 2003
Deferred tax assets	313,994.46	722,736.32
Deferred tax liabilities	-152,336.65	-365,073.74
Total	**161,657.81**	**357,662.58**

The tax expense from the deferred tax liabilities reported in the income statement amounting to €152,336.65 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 €305,627.00.
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 €8,367.46 in the year under review.
In fiscal year 2004, deferred taxes were computed on the basis of a 38.57% tax rate. The tax rate results from an average trade tax rate of 16.57% and a corporation tax rate of 25%, plus the solidarity surcharge.
Baader Wertpapierhandelsbank AG's taxable profit was €694 thousand in 2004. After deducting the standard allowance of €1,000 thousand, there is therefore no positive basis for calculating income taxes and hence no income tax expense for fiscal year 2004. The actual taxes reported relate to the tax benefit (€43 thousand) and tax expense (€33 thousand) for previous years.

(60) Minority interest in net loss

The minority interest in the amount of €-4,167.50 is due to the negative contribution to earnings made by the subsidiary KST Wertpapierhandels AG i.L. in the first three months of 2004 until its deconsolidation; this therefore increases the Group's consolidated net profit.

(61) 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.

	Jan. 1 – Dec. 31, 2004	Jan. 1 – Dec.31, 2003
Net profit for the period	4,223,711.74	2,295,139.72
Weighted average number of shares outstanding	22,409,869	22,472,156
Earnings per share	**0.19**	**0.10**

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.

Other Disclosures

(62) Foreign currency items

Assets denominated in foreign currencies amounted to €1,112,697.38 (translated) at the balance sheet date. They are composed of loans and advances to other banks.

(63) 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, 2004	Dec. 31, 2003
Contingent liabilities		
Liabilities on guarantees and warranties	170,000.00	170,000.00
Liabilities from the granting of security for third-party liabilities	0.00	0.00
Other commitments		
Irrevocable loan commitments	3,331,309.58	0.00

(64) Other financial obligations

Financial obligations from office leases and car parking spaces amount to a total of €851 thousand and have remaining terms of between 2 and 32 months.
In addition, obligations from vehicle leases and leased items of operating and office equipment exist in the amount of €1,926 thousand, with remaining terms of between 1 and 44 months.

(65) 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, 2004	Dec. 31, 2003
Loans and advances to other banks	0.00	0.00
Securities	0.00	0.00
Trust assets	**0.00**	**0.00**
Loans and advances to other banks	0.00	0.00
Shares in companies	0.00	0.00
Trust liabilities	**0.00**	**0.00**

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

	Dec. 31, 2004	Dec. 31, 2003
Loans and advances to other banks	3,727,000.00	5,912,896.38
Securities	6,592,255.80	5,863,955.80
Total	**10,319,255.80**	**11,776,852.18**

(66) Borrowing costs

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

(67) 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.

(68) Maturity structure

The maturity structure of the Group balance sheet as of the 2004 balance sheet date is as follows:

	Up to 3 months € thousands	More than 3 months to 1 year € thousands	More than 1 year to 5 years € thousands	More than 5 years € thousands	Indefinite € thousands	Total € thousands
Assets						
Cash reserve	161	0	0	0	0	161
Loans and advances to other banks	25,234	0	0	0	0	25,234
Loans and advances to customers	1,343	0	0	0	0	1,343
Allowance for losses on loans and advances	-167	0	0	0	0	-167
Assets held for trading	27,666	0	0	0	0	27,666
Available-for-sale financial instruments	5,100	11,417	3,720	2,929	3,363	26,529
Equity-accounted investments	0	0	0	0	4,017	4,017
Investment securities	0	0	0	0	0	0
Property, plant and equipment	0	0	0	0	23,456	23,456
Intangible assets	0	0	0	0	23,340	23,340
Goodwill	0	0	0	0	963	963
Recoverable income taxes	0	931	285	0	0	1,216
Other assets	1,822	254	58	0	1,166	3,300
Deferred tax assets	0	0	21,838	6,918	130	28,886
Total assets	**61,159**	**12,602**	**25,901**	**9,847**	**56,435**	**165,944**
Liabilities and Equity						
Deposits from other banks	9,979	0	14,036	0	0	24,015
Due to customers	15,037	0	0	0	0	15,037
Provisions	0	2,298	0	0	4,800	7,098
Provisions for taxes	1	0	0	0	0	1
Other liabilities and accruals	3,320	3,330	0	0	0	6,650
Deferred tax liabilities	533	6	9	2	158	708
Minority interest	0	0	0	0	0	0
Equity	0	0	0	0	112,435	112,435
Total liabilities and equity	**28,870**	**5,634**	**14,045**	**2**	**117,393**	**165,944**

The maturity structure of the Group balance sheet as of December 31, 2003 is as follows:

	Up to 3 months € thousands	More than 3 months to 1 year € thousands	More than 1 year to 5 years € thousands	More than 5 years € thousands	Indefinite € thousands	Total € thousands
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, plant 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 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 liabilities	381	0	29	2	102	514
Minority interest	0	813	0	0	0	813
Equity	0	0	0	0	107,774	107,774
Total liabilities and equity	**3,640**	**6,224**	**14,808**	**2**	**112,709**	**137,383**

(69) Employees

The Baader Wertpapierhandelsbank AG Group employed an average of 192 (previous year: 188) staff during the year under review. 219 employees were employed at the balance sheet date.

(70) Related party disclosures

a) Remuneration of the Executive Board and the Supervisory Board

	2004 €	2003 € thousands
Executive Board		
- Fixed remuneration	1,805,992.98	1,502
- Variable remuneration	255,901.00	87
Supervisory Board (excl. reimbursement of expenses)	185,600.00	73
- Fixed remuneration	28,971.00	0
- Variable remuneration		

In addition to their fixed remuneration and 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 €4,800,703.00 (previous year: €4,833 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 2004, 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.

(71) Shareholdings of management and supervisory bodies

As of Dec. 31, 2004	Number of shares	Number of options
Executive Board	15,324,228	175,665
Supervisory Board	2,000	6,795

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

The options reported for the Supervisory Board relate exclusively to employee representatives.

(72) Information on subsidiaries

Name, domicile:	Baader Management AG, Unterschleissheim
Equity interest/share in voting rights:	100.00%
Name, domicile:	Baader Service Bank GmbH, Frankfurt am Main
Equity interest/share in voting rights:	100.00%

(73) Executive bodies of Baader Wertpapierhandelsbank AG

Executive Board

Uto Baader, Munich

Chairman 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 Smart.IPO AG, Munich
Member of the Board of Directors of Medi-Globe Corp., Tempe, Arizona, U.S.A.
Deputy Chairman of the Supervisory Board of KST Wertpapierhandels AG i.L., Stuttgart (until March 25, 2004)
Member of the Supervisory Board of Bayerische Börse AG, Munich

Dieter Brichmann, Penzberg

Member of the Executive Board of Baader Wertpapierhandelsbank AG, Unterschleissheim
Member of the Management of Baader Service Bank GmbH, Frankfurt am Main (from October 1, 2004)
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

Supervisory Board

Dr. Horst Schiessl, Munich
Age: 63
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, Darmstadt
Member of the Supervisory Board of Dussmann AG & Co.KGaA, Berlin
Chairman of the Advisory Board of Trion Pharma GmbH, Munich

Dr. Christoph Niemann, Meerbusch
Age: 68
Profession: banker
Member of the Supervisory Board since: July 10, 2002

Deputy Chairman of the Supervisory Board of Baader Wertpapierhandelsbank AG, Unterschleissheim
Member of the Supervisory Board of HSBC Trinkaus & Burkhardt KGaA, Dusseldorf
Member of the Supervisory Board of Hannoversche Lebensversicherung AG, Hanover
Member of the Board of MASAI, Paris, France

Josef Faltenbacher, Munich
Age: 65
Profession: Wirtschaftsprüfer (German public auditor)
Member of the Supervisory Board from: June 26, 1998 until July 14, 2004

Deputy Supervisory Board Chairman of Softing AG, Haar near Munich (until April 16, 2004)

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

Rainer Merklinghaus, Vaterstetten
Age: 42
Profession: Head of Organization/Human Resources
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)

Helmut Schreyer, Munich
Age: 62
Profession: banker
Member of the Supervisory Board since: July 14, 2004

Member of the Board of Directors of Oldenbourg GmbH & Co. KG, Munich
Member of the Supervisory Board of Fides Secur Versicherungsmakler GmbH, Munich
Member of the Supervisory Board of Reichmuth & Co. Integrale Vermögensverwaltung AG, Munich
President of Afra Holdings Ltd., Toronto, Canada
President of Herma Holdings S.C. Inc., Toronto, Canada
President of Boston Gardens GP Inc., Boston MA, U.S.A.

(74) Group shareholdings

Name, domicile:	% interest in capital	Last annual financial statements	Equity (total)	Net profit/loss for the most recent fiscal year
Baader Management AG, Unterschleissheim *)	100.00	Dec. 31, 2004	€49,050.17	€56.66
Baader Service Bank GmbH, Frankfurt *)	100.00	Dec. 31, 2004	€5,512,342.50	€-1,170,437.43
Heins & Seitz Capital Management GmbH, Munich *)	50.00	Oct. 31, 2004	€320,757.74	€253,383.74
KST Beteiligungs AG, Stuttgart	21.33	Dec. 31, 2003	€6,256,861.23	€-937,379.19
U.C.A. AG, Munich	12.84	Dec. 31, 2003	€27,543,009.49	€1,399,823.89
Ben Bavarian Equity Network GmbH, Munich	16.67	Dec. 31, 2003	€78,802.98	€-6,619.99
SPAG St. Petersburg Immobilien- und Beteiligungs AG, Darmstadt *)	35.98	Dec. 31, 2003	€34,007,935.41	€-32,086.09
Brain International AG, Breisach	9.09			insolvent
Mermaid Pharmaceuticals GmbH, Hamburg	13.99			insolvent
e-m-s new media AG, Dortmund	5.15	Dec. 31, 2003	€13,586,911.85	€1,504,980.08
Stillking Film Group N.V., Amsterdam [1])	5.96	Dec. 31, 2003	€6,038,470.01	€2,059,320.17
Smart.IPO AG, Munich [4])	32.57	Dec. 31, 2002	€0.00	€-397,971.46
Medi Globe Corp., Tempe/Arizona [3]) [4])	6.53	Dec. 31, 2002	€12,052,457.00	€-2,788,639.40
Werbas AG, Holzgerlingen [4])	30.72	Dec. 31, 2002	€3,062,123.91	€-1,065,473.52
SAF Simulation, Analysis and Forecasting AG, Tägerwilen / Switzerland [2])[4])	15.27	Dec. 31, 2002	€776,655.87	€-1,445,354.60

*) consolidated companies
[1]) Equity and net profit/loss for the most recent year translated (EUR/USD 1.3621)
[2]) Equity and net profit/loss for the most recent year translated (EUR/CHF 1.5747)
[3]) Equity and net profit/loss for the most recent year translated (EUR/USD 1.2429)
[4]) The shares in these companies were sold in January 2005

Unterschleissheim, February 16, 2005
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, 2004. 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, 2004, 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, 2004 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 14, 2005

Clostermann & Jasper Partnerschaft
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Jasper	Lamm
Wirtschaftsprüfer	Wirtschaftsprüfer