

Financial Statements 1999

BAADER

BAADER WERTPAPIERHANDELSBANK AKTIENGESELLSCHAFT

CONSOLIDATED ACCOUNTS 1999

BAADER

**BAADER WERTPAPIERHANDELSBANK AKTIENGESELLSCHAFT
MUNICH
BALANCE SHEET AS AT DECEMBER 31, 1999**

**BAADER WERTPAPIERHANDELSBANK AKTIENGESELLSCHAFT
MUNICH
PROFIT AND LOSS ACCOUNT
JANUARY 1 THROUGH DECEMBER 31, 1999**

**BAADER WERTPAPIERHANDELSBANK AKTIENGESELLSCHAFT
MUNICH
GROUP BALANCE SHEET AS AT DECEMBER 31, 1999**

**BAADER WERTPAPIERHANDELSBANK AKTIENGESELLSCHAFT
MUNICH
GROUP PROFIT AND LOSS ACCOUNT
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BAADER WERTPAPIERHANDELSBANK AKTIENGESELLSCHAFT
MUNICH
BALANCE SHEET AS AT DECEMBER 31, 1999

Assets	31.12.1999	31.12.1999	31.12.1998	Liabilities	31.12.1999	31.12.1999	31.12.1999	31.12.1998
	€	€	T€		€	€	€	T€
1. Cash reserve				1. Liabilities to banks				
a) Cash on hand	3,89		2	a) Payable on demand			54.858.739,23	0
b) Balances on postal giro accounts	0,00							
		3,89	952	2. Liabilities to customers				
2. Receivables due from banks				a) Other liabilities				
a) Payable on demand	52.823.647,28		53.317	aa) Payable on demand			0,00	1.866
b) Other receivables	10.423.860,13		17.834	thereof:				
		63.247.507,41		To financial services companies €0,00				
3. Receivables due from customers		156.578,13	810	3. Other liabilities			22.570.670,01	4.022
thereof:				4. Provisions				
Secured by a charge over property €0,00				a) Provisions for pensions and		1.587.684,51		675
Communal loans €0,00				similar obligations		21.245.000,00		35.435
To financial services companies €0,00				b) Tax provisions		7.267.563,30		3.766
4. Bonds, notes and other fixed-interest securities				c) Other provisions			30.100.247,81	
a) Bonds and notes				5. Shareholders' Equity				
aa) Issued by public-sector borrowers		309.744,03	308	a) Subscribed capital		19.795.000,00		15.339
thereof:				b) Capital reserve		113.381.889,50		64.917
Repo-eligible at Deutsche Bundesbank €309.744,03				c) Retained earnings				
5. Shares and other non-fixed-interest securities		180.167.302,23	73.989	ca) Legal reserves	204.516,75			205
6. Investments in companies		30.047.401,48	25	cb) Other retained earnings	38.941.844,82			15.203
thereof:				d) Consolidated income		39.146.361,57		15.163
Banks €0,00						30.723.362,18		
Financial services companies €29.955.240,00							203.046.613,25	
7. Investments in associated companies		23.441.417,98	672					
thereof:								
Banks €0,00								
Financial services companies €672.386,32								
8. Assets held in trust		0,00	1.687					
9. Intangible assets		1.133.728,39	1.373					
10. Tangible assets		1.130.873,86	584					
11. Other assets		10.883.427,14	5.001					
12. Prepaid expenses		58.285,76	37					
Total assets		310.576.270,30	156.591	Total liabilities			310.576.270,30	156.591
				Other obligations				
				a) irrevocable lending commitments			1.425.691,88	511
				Contingent liabilities				
				a) Liabilities from guarantees and warranty agreements			2.828.000,00	0

BAADER WERTPAPIERHANDELSBANK AKTIENGESELLSCHAFT
MUNICH
PROFIT AND LOSS ACCOUNT
JANUARY 1 THROUGH DECEMBER 31, 1999

	1999 €	1999 €	1999 €	1998 T€		1999 €	1999 €	1998 T€
1. Interest income from					Balance carried forward		113.416.559,53	82.875
a) Lending and money-market transactions	2.160.636,21			809				
b) Fixed-interest securities and book-entry securities	14.571,82			705	10. Other operating expenses		-288.019,43	-3.119
		2.175.208,03			11. Depreciation and value adjustments on receivables, certain securities and additions to loan loss provisions	-11.718.764,07		-7.333
2. Interest expenses		-1.799.058,37	376.149,66	-306	12. Income from additions to receivables, certain securities and liquidation of loan loss provisions	18.322.583,64	6.603.819,57	0
3. Current income from					13. Depreciation and value adjustments on investments in companies, investments in associated companies and investment securities	6.498.070,71		-6.695
a) Shares and other non-fixed-interest securities		1.080.428,46		212	14. Income from additions to investments in companies, investments in associated companies and investment securities	38.857,67		0
b) Investments in companies		208.106,75	1.288.535,21	0	15. Expenses from assumed losses		-4.259.991,49	0
4. Commission income thereof:		30.395.124,56		26.916	16. Income from ordinary activities		109.013.155,14	65.728
Brokerage fees	24.619.095,32				17. Income taxes		-56.131.464,30	-34.676
5. Commission expenses thereof:		-15.111.136,32		-631	18. Other taxes (insofar as not included in item 10)		-1.952,12	-3
Brokerage expenses	-448.693,66		15.283.988,24				-56.133.416,42	
6a. Income from financial activities thereof:		221.964.852,75		126.978	19. Net income		52.879.738,72	31.049
aa) Securities	60.846.391,31				20. Income carried forward from previous year		4.243.623,46	-723
ab) Foreign exchange	9.378.757,11						57.123.362,18	30.326
ac) Share price differentials	151.739.704,33				21. Transfer to retained earnings			
6b. Expenses for financial activities thereof:		-72.633.610,33		-37.916	a) Other retained earnings		-26.400.000,00	-15.163
ba) securities	-60.060.007,18				22. Consolidated income		30.723.362,18	15.163
bb) Foreign exchange	-8.254.177,70							
bc) Share price differentials	-4.319.425,45		149.331.242,42					
7. Other operating income			817.854,23	355				
8. Administrative expenses								
a) Personnel expenses								
aa) Wages and salaries	-37.920.912,44			-22.156				
ab) Social-security withholdings and expenses for old age provisioning and supportpensions and other employee benefits	-1.674.227,07			-1.041				
		-39.595.139,51						
thereof:								
For old age provisioning	-929.205,04			-10.633				
b) Other administrative expenses		-12.877.011,61						
			-52.472.151,12					
9. Depreciation and value adjustments on intangible and tangible assets			-1.209.059,11	-417				
Balance carried forward			113.416.559,53	82.875				

BAADER WERTPAPIERHANDELSBANK AKTIENGESELLSCHAFT
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GROUP BALANCE SHEET AS AT DECEMBER 31, 1999

Assets	31.12.1999 €	31.12.1999 €	31.12.1998 T€	31.12.1998 T€	Liabilities	31.12.1999 €	31.12.1999 €	31.12.1999 €	31.12.1998 T€	31.12.1998 T€
1. Cash reserve					1. Liabilities to banks					
a) Cash on hand	588,02		2		a) Payable on demand	55.160.357,58			64	
b) Cash held in postal giro accounts	0,00		952		b) Fixed maturity	747.086,49		55.907.444,07	0	64
		588,02		954						
2. Receivables due from banks					2. Liabilities to customers					
a) Payable on demand	54.305.182,64		53.776		a) Other liabilities					
b) Other receivables	10.423.860,13		17.834		aa) Payable on demand	1.146.876,66		1.146.876,66		1.914
		64.729.042,77		71.610						
3. Receivables due from customers thereof		156.578,13		810	3. Liabilities incurred as a trustee			3.926.411,01		0
Secured by a charge over property €0,00					4. Other liabilities			22.679.986,07		12.205
Communal loans €0,00					5. Provisions					
To financial services companies €0,00					a) Provisions for pensions and similar obligations	1.587.684,51			675	
4. Bonds, notes and other fixed-interest securities					b) Tax provisions	21.245.000,00			35.435	
a) Bonds and notes					c) Other provisions	7.298.991,46		30.131.675,97	3.781	39.891
aa) Issued by public-sector borrowers thereof:		309.744,03		308	6. Shareholders' equity					
Repo-eligible at Deutsche Bundesbank € 309.744,03					a) Subscribed capital	19.795.000,00			15.339	
5. Shares and other non-fixed-interest securities		196.151.779,72		74.660	b) Capital reserve	113.422.337,03			65.035	
6. Investments in companies thereof:		92.161,48		25	c) Retained earnings	39.146.361,57				
Financial services companies €0,00					Charge to retained earnings	-23.335.765,72		15.810.595,85		15.408
7. Investments in associated companies thereof:		6.619.474,28		0	d) Minority interests	228.985,71			282	
Financial services companies €6.619.474,28					e) Consolidated income	30.642.447,01		179.899.365,60	15.214	111.278
8. Assets held in trust		3.926.411,01		2.980						
9. Intangible assets		1.137.679,59		1.378						
10. Tangible assets		1.159.570,99		609						
11. Other assets		19.349.047,54		11.978						
12. Prepaid expenses		59.681,82		40						
Total assets		293.691.759,38		165.352	Total liabilities			293.691.759,38		165.352
					Other obligations					
					a) irrevocable lending commitments			1.425.691,88		511

BAADER WERTPAPIERHANDELSBANK AKTIENGESELLSCHAFT
MUNICH
GROUP PROFIT AND LOSS ACCOUNT
JANUARY 1 THROUGH DECEMBER 31, 1999

	1999 €	1999 €	1999 €	1998 T€		1999 €	1999 €	31.12.1998 T€
1. Interest income from					Balance carried forward	113.287.935,75		82.739
a) Lending and money-market business	2.261.075,27			850				
b) Fixed-interest securities and book-entry securities	22.658,82			710	10. Other operating expenses	-292.248,41		-3.145
		2.283.734,09			11. Depreciation and value adjustments on receivables, certain securities and additions to loan loss provisions	-16.112.735,32		-7.332
2. Interest expenses		-1.819.983,49	463.750,60	-323	12. Income from additions to receivables, certain securities and liquidation of loan loss provisions	18.452.747,97	2.340.012,65	0
3. Current income from					13. Depreciation and value adjustments on investments in companies, investments in associated companies and investment securities	-6.498.070,71		-6.695
a) Shares and other non-fixed-interest securities		1.082.166,49		213	14. Income from ordinary activities	108.837.629,28		65.567
b) Investments in associated companies		208.106,75	1.290.273,24	0	15. Income taxes	-56.131.464,30		-34.676
4. Commission income thereof:		30.443.268,54		26.923	16. Other taxes (insofar as not included in item 10)	-1.952,12	-56.133.416,42	-3
a) Brokerage fees	24.619.095,32				17. Net income	52.704.212,86		30.888
5. Commission expenses thereof:		-15.268.936,46		-694	18. Loss attributable to minority interests	43.881,47		40
a) Brokerage expenses	-448.693,66		15.174.332,08		19. Income/loss carried forward from previous year	4.294.352,68		-551
6a Income from financial activities thereof:		222.297.725,81		210.410	20. Transfer to retained earnings		57.042.447,01	30.377
aa) Securities	61.179.264,37				a) Other retained earnings	-26.400.000,00		-15.163
ab) Foreign exchange	9.378.757,11				21. Consolidated income	30.642.447,01		15.214
ac) Share price differentials	151.739.704,33							
6b. Expenses for financial activities thereof:		-72.633.610,33		-120.964				
ba) Securities	-60.060.007,18		149.664.115,48					
bb) Foreign exchange	-8.254.177,70							
bc) Share price differentials	-4.319.425,45							
7. Other operating income			901.521,90	374				
8. Administrative expenses								
a) Personnel expenses								
aa) Wages and salaries	-38.055.654,51			-22.306				
ab) Social security withholdings and expenses on old age provisioning and support	-1.723.049,99			-1.095				
thereof:		-39.778.704,50						
For old age provisioning	-929.205,04							
b) Other administrative expenses		-13.203.542,04		-10.916				
9. Depreciation and value adjustments on intangible and tangible assets			-52.982.246,54					
			-1.223.811,01	-443				
Balance carried forward			113.287.935,75	82.739				

**NOTES TO THE CONSOLIDATED ACCOUNTS OF
BAADER WERTPAPIERHANDELSBANK AKTIENGESELLSCHAFT
FOR THE FISCAL YEAR 1999
(JANUARY 1, 1999 THROUGH DECEMBER 31, 1999)**

I. GENERAL ACCOUNTING PRINCIPLES

The notes to the Group accounts and parent company accounts of Baader Wertpapierhandelsbank AG for the fiscal year ending December 31, 1999 have been amalgamated. Unless otherwise stated, the following notes apply to both accounts.

As in the previous year, the consolidated accounts for the year ending December 31, 1999 were prepared in accordance with the requirements of the HGB (German Commercial Code) and in line with the RechKredV (Directive Regulating Bank Balance Sheets and the Law Regarding Accounting of Credit Institutions). The stipulations laid down in the AktG (Law Governing Stock Corporations) were observed.

Unlike in the previous fiscal year, fees for securities transactions and other expenses similar to commission are disclosed under commission expenses, and not under administrative expenses. The accounts for the previous year were not adjusted.

The accounts of parent company and Group for the fiscal year ending December 31, 1999 were drawn up in Euro for the first time. The accounts for the fiscal year ending December 31, 1998 which had been drawn up in Deutsche Mark, were converted into Euro for comparability.

II. COMPANIES INCLUDED IN THE CONSOLIDATION

In addition to Baader Wertpapierhandelsbank AG, the parent company, the subsidiaries listed under Section XII. were included in the Group accounts unchanged. For the first time, a domestic company was included as an associate company.

III. CURRENCY CONVERSION

The accounts of the Czech subsidiary were converted at the mean rate at the accounting reference date. Resulting differences from exchange rate differentials were offset against reserves without any effect on the operating result.

IV. CONSOLIDATION PRINCIPLES

The consolidation of capital was carried out according to the book value method. Thus, the acquisition cost was offset against the book value of the relevant equity of each subsidiary at the time of the purchase or of its initial consolidation into Group accounts. Any arising differences are allocated to the balance sheet items of the relevant subsidiaries to the level of their current market value. Any credit differentials which remain are posted to assets and amortized according to their useful life. Any remaining debit differentials are transferred to retained earnings. If capital consolidation takes place at the time of initial consolidation into Group accounts, year-end results charged to the capital consolidation are eliminated in the profit and loss account in a counter entry. For the sake of simplicity, items in the profit and loss account of subsidiaries which have been consolidated in this manner are included for the entire fiscal year.

Investments in associated companies are included with relevant equity in the Group accounts (equity method). The valuation of interests and the differentials are calculated according to the book value method at the time of their initial consolidation into Group accounts. Differentials on the credit side (transaction value or goodwill) are offset in full against reserves.

Minority interests comprise the shares of third parties in subscribed capital, reserves and results.

Receivables and liabilities between consolidated companies are omitted. Value adjustments and depreciation undertaken in the individual accounts of consolidated companies are rescinded in favor of the consolidated annual result.

Turnover and other intra-Group revenue are offset against the corresponding expenses incurred.

Depreciation on investments in consolidated subsidiaries are rescinded in favor of the consolidated annual result.

**V. ACCOUNTING, VALUATION AND
CONVERSION METHODS**

The following accounting and evaluation methods were employed:

Cash reserves are included in the balance sheet at par value. Accounts items, which are based on amounts in foreign currency or originally based in foreign currency, are converted according to Section 340 h HGB (German Commercial Code).

Receivables due from banks and receivables due from customers are always shown at par value. Risk provisioning was carried out in accordance with the principles of commercial prudence through the formation of specific value adjustments for precarious claims and general value adjustments for latent risks.

The securities portfolio is valued according to the strict lower-of-cost-or-market principle.

Investments in associated companies, in the case of the parent company, and investments in companies, in the case of the Group, are shown at the cost of acquisition after deduction of extraordinary depreciation on the attributable cost.

Intangible assets acquired for consideration are valued at acquisition cost less scheduled linear depreciation.

In the case of likely continuous devaluation, extraordinary depreciation is calculated.

Tangible assets are valued at cost of acquisition less scheduled linear depreciation. Depreciation on additions to tangible assets are calculated according to the regulation governing simplification for tax purposes. Inadmitted assets are immediately depreciated and are imputed as immediate disposals in the statement of movement of fixed assets.

Other assets are shown at par value less necessary depreciation and value adjustments.

Liabilities are shown at the amount repayable.

Pension provisions are included at partial value in accordance with Section 6 a EstG.

Other provisions are valued in accordance with reasonable commercial assessment.

NOTES TO THE CONSOLIDATED ACCOUNTS OF
 BAADER WERTPAPIERHANDELSBANK AKTIENGESELLSCHAFT
 FOR THE FISCAL YEAR 1999

VI. NOTES TO THE GROUP BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

CLASSIFICATION OF UNEXPIRED TERMS

The receivables and liabilities shown in the Group balance sheet have the following unexpired times:

	up to 3 months	over 3 months to 1 year	over 1 year to 5 years	over 5 years
	€	€	€	€
Other receivables due from banks	10.423.860,13	0,00	0,00	0,00
Receivables due from customers	56.578,13	0,00	0,00	100.000,00
Liabilities to banks	747.086,49	0,00	0,00	0,00

NOTES TO THE CONSOLIDATED ACCOUNTS OF
 BAADER WERTPAPIERHANDELSBANK AKTIENGESELLSCHAFT
 FOR THE FISCAL YEAR 1999

CLASSIFICATION OF MARKETABLE SECURITIES ACCORDING TO LISTED AND UNLISTED SECURITIES

	marketable	listed	unlisted	marketable securities not valued according to lower-of-cost-or-market principle
	€	€	€	€
Bonds, notes and other fixed-interest securities	309.744,03	309.744,03	0,00	0,00
Shares and other non-fixed-interest securities	196.151.779,72	176.591.732,50	19.560.047,22	0,00
Investments in companies	92.161,48	0,00	92.161,48	
Investments in associated companies	6.619.474,28	6.619.474,28	0,00	

NOTES TO THE CONSOLIDATED ACCOUNTS OF
 BAADER WERTPAPIERHANDELSBANK AKTIENGESELLSCHAFT
 FOR THE FISCAL YEAR 1999

INVESTMENTS IN ASSOCIATED COMPANIES

The credit-side differential of € 23.335.765,72 arising from the initial consolidation of KST Wertpapierhandels-Aktiengesellschaft, Stuttgart, according to the equity method was offset in full against retained earnings.

ASSETS HELD IN TRUST

The Group's total assets held in trust amounting to T€ 3.926 refer to investments in companies which are held by IPO GmbH.

FIXED ASSETS

The movement and composition of the Group's fixed assets is represented in the Statement of Movement of Fixed Assets under Section XIV.

OTHER ASSETS

Other assets in the Group profit and loss account comprise:

	€
Shareholdings in companies	4.697.429,34
Loans	5.296.678,25
Receivables due from brokerage fees and exchange rate differentials	4.604.938,51
Tax refund claims	4.099.528,54
Other receivables	650.472,90
	19.349.047,54

NOTES TO THE CONSOLIDATED ACCOUNTS OF
 BAADER WERTPAPIERHANDELSBANK AKTIENGESELLSCHAFT
 FOR THE FISCAL YEAR 1999

OTHER PROVISIONS

Other provisions are comprised primarily of provisions for employee bonuses and emoluments and lawsuits, as well as provisions for impending losses from pending securities transactions.

REGIONAL CLASSIFICATION OF GROUP INCOME

	total	domestic	foreign
	€	€	€
Interest income	2.283.734,09	2.250.867,43	32.866,66
Current income from shares and other non-fixed-interest securities	1.290.273,24	1.288.535,21	1.738,03
Commission income	30.443.268,54	30.395.124,56	48.143,98
Income from financial activities	222.297.725,81	221.964.852,75	332.873,06
Other operating income	862.664,23	817.854,24	44.809,99
	257.177.665,91	256.717.234,19	460.431,72

NOTES TO THE CONSOLIDATED ACCOUNTS OF
 BAADER WERTPAPIERHANDELSBANK AKTIENGESELLSCHAFT
 FOR THE FISCAL YEAR 1999

VII. NOTES TO THE PARENT COMPANY BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

FOREIGN CURRENCY ITEMS

On the accounting reference date, receivables due from banks and shares in foreign currency amounted to the equivalent of T€ 139.508.

CLASSIFICATION OF UNEXPIRED TERM

The receivables and liabilities shown in the profit and loss account of the parent company have the following unexpired terms:

	up to 3 months	over 3 months to 1 year	over 1 year to 5 years	over 5 years
	€	€	€	€
Other receivables due from banks	10.423.860,13	0,00	0,00	0,00
Receivables due from customers	56.578,13	0,00	0,00	100.000,00

NOTES TO THE CONSOLIDATED ACCOUNTS OF
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CLASSIFICATION OF MARKETABLE SECURITIES ACCORDING TO LISTED AND UNLISTED SECURITIES

	marketable	listed	unlisted	marketable securities not valued according to lower-of-cost-or-market principle
	€	€	€	€
Bonds, notes and other fixed-interest securities	309.744,03	309.744,03	0,00	0,00
Shares and other non-fixed-interest securities	180.167.302,23	177.180.196,53	2.987.105,70	0,00
Investments in companies	30.047.401,48	29.955.240,00	92.161,48	
Investments in associated companies	0,00	0,00	0,00	

NOTES TO THE CONSOLIDATED ACCOUNTS OF
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 FOR THE FISCAL YEAR 1999

FIXED ASSETS

The movement and composition of the parent company's fixed assets is represented in the Statement of Movement of Fixed Assets under Section XIII.

SHAREHOLDINGS

The list of shareholdings can be perused under Section XII.

OTHER ASSETS

Other assets comprise:

	€
Receivables due from brokerage fees and exchange rate differentials	4.604.938,51
Tax refund claims	4.096.714,49
Receivables due from affiliated companies	2.043.939,15
Reinsurance claims from life insurance policies	126.557,18
Other receivables	11.277,81
	10.883.427,14

Receivables and other assets contain no items pertaining to members of the Executive Board or the Supervisory Board.

/ NOTES TO THE CONSOLIDATED ACCOUNTS OF
BAADER WERTPAPIERHANDELSBANK AKTIENGESELLSCHAFT
FOR THE FISCAL YEAR 1999**LIABILITIES TO BANKS**

Liabilities to banks serve mainly the purpose of refinancing the securities trading business.

OTHER LIABILITIES

Other liabilities comprise:

	€
Tax liabilities	15.888.112,63
Trade payables	4.815.561,34
Repayment obligations	1.389.419,83
Per contra items for currency conversion	180.587,25
Other liabilities	296.988,96
	22.570.670,01

Liabilities contain no items pertaining to members of the Executive Board or the Supervisory Board.

OTHER PROVISIONS

Other provisions are comprised primarily of provisions for employee bonuses and emoluments and lawsuits, as well as provisions for impending losses from pending securities transactions.

SHAREHOLDERS' EQUITY

On January 1, 1999, the subscribed capital (nominal capital) stood at DM 30.000.000,00 (€ 15.338.756,44), comprised of 6.000.000 non-par value ordinary bearer shares.

At the shareholders' meeting on June 18, 1999, it was resolved to convert the shareholders' equity from Deutsche Mark to Euro and to increase the equity capital by € 2.661.243,56 through the capitalization of retained earnings. The capital increase was carried out in accordance with Section 207, Paragraph 2, AktG without issuing new shares. In addition, the shareholders' meeting of June 18, 1999, resolved to increase the number of shares from 6.000.000 to 18.000.000.

By a resolution of the shareholders' meeting of June 18, 1999, the Executive Board is empowered, with the approval of the Supervisory Board, to increase the nominal capital by up to € 1.800.000,00 by June 17, 2004 by issuing new shares against cash or non-cash capital contributions. A total or partial preclusion of subscription rights for shareholders is permitted, with the approval of the Supervisory Board, if the issue price of the new shares is not substantially lower than the market value of already listed shares with the same terms at the time the issue price is finally fixed. Otherwise, the Executive Board can only preclude subscription rights for shareholders with the approval of the Supervisory Board in order to offset fractions (Authorized Capital Stock I).

In addition, the Executive Board was empowered by the general shareholders' meeting of June 18, 1999, with the approval of the Supervisory Board, to increase the nominal capital of the company by up to € 7.200.000,00 by June 17, 2004, by issuing new shares against cash or non-cash capital contributions.

/ NOTES TO THE CONSOLIDATED ACCOUNTS OF
BAADER WERTPAPIERHANDELSBANK AKTIENGESELLSCHAFT
FOR THE FISCAL YEAR 1999

The Executive Board is empowered with the approval of the Supervisory Board to decide a preclusion of subscription rights for shareholders and to stipulate the further details of the capital increase as well as the conditions of the share issue. A preclusion of subscription rights is only permitted as part of a capital increase against non-cash contribution to acquire companies as well as to avoid fractions. (Authorized Capital Stock II).

In the fiscal year 1999, the Executive Board, with the approval of the Supervisory Board, increased capital against cash contributions from Authorized Capital Stock I amounting to € 1.795.000,00 by issuing 1.795.000 bearer shares. The premium on capital stock (agio) of € 48.465.000,00 resulting from the capital increase was appropriated to capital reserves.

As at December 31, 1999, subscribed capital comprised 19.795.000 bearer shares to the value of € 19.795.000,00.

At the shareholders' meeting of June 18, 1999, it was furthermore resolved to carry out a conditional capital increase of € 600.000,00. The conditional capital increase will only be carried out by issuing new bearer shares with participating rights from the beginning of the fiscal year in which they were issued, and only insofar as stock opti-

ons are issued from authorized capital as part of Baader Wertpapierhandelsbank AG's stock option plan and the holders of these stock options exercise their options.

In the year under review, € 26.400.000,00 was transferred from net income to other retained earnings.

/ **NOTES TO THE CONSOLIDATED ACCOUNTS OF
BAADER WERTPAPIERHANDELSBANK AKTIENGESELLSCHAFT
FOR THE FISCAL YEAR 1999****OFF-BALANCE SHEET TRANSACTIONS**

Off-balance sheet transactions comprise a guarantee for Baader Securities, Prague, and the commitment to take over shares of the company.

COMMISSIONS EXPENSES

Unlike in the previous fiscal year, brokerage expenses and other expenses similar to commission of T€ 14.662 (1998: T€ 4.971) are disclosed under commission expenses, and not under administrative expenses. The previous year's figures were not adjusted.

OTHER OPERATING INCOME

Other operating income mainly comprises reimbursement of costs, income from the liquidation of reserves and book gains from the sale of tangible assets.

**DEPRECIATION AND VALUE ADJUSTMENT
ON INTANGIBLE AND TANGIBLE ASSETS**

Depreciation include extraordinary depreciation amounting to T€ 483.

OTHER OPERATING EXPENSES

Other operating expenses comprise mainly expenses incurred by the capital increase.

INCOME TAX

Income tax was posted in full to the income from ordinary activities.

NOTES TO THE CONSOLIDATED ACCOUNTS OF
 BAADER WERTPAPIERHANDELSBANK AKTIENGESELLSCHAFT
 FOR THE FISCAL YEAR 1999

VIII. GROUP CASH FLOW STATEMENT

The cash flow statement shows the change in net cash as at the beginning of the year by payments flow from operating activities, investment activities and financing activities, such that the cash flow statement ends with the net cash as at year-end. Net cash includes cash reserves as well as the balance of liabilities to and receivables due from banks.

	1999 T€
1. Operating activities	
Net income	52.704
Depreciation on fixed assets	7.722
Decrease in provisions	-9.759
Income from the disposal of fixed assets	-21
Other income	-18
Increase in current assets, other assets and prepaid expenses	-129.177
Increase in liabilities	13.635
Cash flow from operating activities	-64.914

NOTES TO THE CONSOLIDATED ACCOUNTS OF
 BAADER WERTPAPIERHANDELSBANK AKTIENGESELLSCHAFT
 FOR THE FISCAL YEAR 1999

VIII. GROUP CASH FLOW STATEMENT (PART 2)

	1999 T€
2. Investment activities	
Inpayments from disposals of fixed assets	14.011
Outpayments for investments in fixed assets	-28.779
Effects from changes in consolidation	-23.336
Cash flow from investment activities	-38.104
3. Financing activities	
Inpayments from capital increase	50.260
Dividend payout	-10.919
Cash flow from financing activities	39.341
4. Transfer to liquid funds at the end of the year	
Net changes in liquid funds (1. – 3.)	-63.677
Liquid funds at the beginning of the year (01.01.1999)	72.499
Liquid funds at the end of the year (31.12.1999)	8.822
5. Composition of liquid funds at the end of the year (31.12.1999)	
Cash reserves and receivables due from banks	64.730
Liabilities to banks	55.908
Balance	8.822

NOTES TO THE CONSOLIDATED ACCOUNTS OF BAADER WERTPAPIERHANDELSBANK AKTIENGESELLSCHAFT FOR THE FISCAL YEAR 1999

IX. SEGMENT REPORT

The objective of the segment report is to show the results of operating activities of the business segments which are incorporated into the organizational structure of the Group. A segment result is given for the business areas of book running and own trading, as well as issuing business and investments in companies.

	specialist activity	share in total result	new issues and investments	share in total result	total
	1999 T€	1999 %	1999 T€	1999 %	1999 T€
1. Interest income	2.208		76		2.284
2. Interest expenses	1.810		10		1.820
3. Net interest income (1 + 2)	398	85,8	66	14,2	464
4. Current income	1.290	100,0	0	0,0	1.290
5. Commission income	23.682		6.761		30.443
6. Commission expenses	13.413		1.856		45.712
7. Net commission income (5 ./. 6)	10.269	67,7	4.905	32,3	15.174
8. Income from financial activities	222.298		0		222.298
9. Expenses for financial activities	72.634		0		72.634
10. Net income from financial	149.664	100,0	0	0,0	149.664

NOTES TO THE CONSOLIDATED ACCOUNTS OF BAADER WERTPAPIERHANDELSBANK AKTIENGESELLSCHAFT FOR THE FISCAL YEAR 1999

IX. SEGMENT REPORT (PART 2)

	specialist activity	share in total result	new issues and investments	share in total result	total
	1999 T€	1999 %	1999 T€	1999 %	1999 T€
11. Gross income (3 + 4 + 7 + 10)	161.621	97,0	4.971	3,0	166.592
12. Personnel expenses	39.182		597		39.779
13. Other administrative expenses	12.082		1.122		13.204
14. Depreciation	1.224		0		1.224
15. Administrative expenses (12 + 13 + 14)	52.488	96,8	1.719	3,2	54.207
16. Partial operating result (11 ./ 15)	109.133	97,1	3.252	2,9	112.385
17. Balance of other expenses / income	94		18.969		19.063
18. Risk provisions	8.069		14.542		22.611
19. Other result (17 ./ 18)	-7.975	-224,8	4.427	124,8	-3.548
20. Operating result (16 + 19)	101.158	92,9	7.679	7,1	108.837

X. OTHER FINANCIAL OBLIGATIONS

The Group has financial obligations amounting to € 2.211.403,03 with maturities between 3 and 69 months resulting from obligations from office space rent contracts of the parent company. In addition, it also has obligations from vehicle leasing contracts as well as leasing contracts for fixtures and fittings amounting to € 159.007,23 with maturities between 3 and 15 months.

XI. FURTHER PARTICULARS**MAJORITY INTEREST**

Baader Beteiligungs GmbH, Munich, holds a majority interest in Baader Wertpapierhandelsbank Aktien-gesellschaft in accordance with Section 16, Par. 1, AktG. The company has advised us to this effect in accordance with Section 20, Par. 4. AktG.

EMPLOYEES

In the fiscal year 1999, an average of 101 (1998: 74) and 90 (1998: 61) persons were employed in the Group and the parent company (AG) respectively.

REMUNERATION OF EXECUTIVE BOARD MEMBERS

The total remuneration of the members of the Executive Board for the year under review amounted to € 1.951.587,46 (1998: € 1.644.000).

REMUNERATION OF THE SUPERVISORY BOARD

The total remuneration of the members of the Supervisory Board, apart from reimbursement of out-of-pocket expenses, amounted to € 466.702,19 (1998: € 350.000) in the year under review.



BAADER

NOTES TO THE CONSOLIDATED ACCOUNTS OF
BAADER WERTPAPIERHANDELSBANK AKTIENGESELLSCHAFT
FOR THE FISCAL YEAR 1999

BOARDS OF THE COMPANY

EXECUTIVE BOARD

Uto Baader
Munich

Chairman of the Executive Board of Baader Wertpapierhandelsbank AG,
Manager of IPO GmbH, Puchheim
Chairman of the Supervisory Board of Baader Securities a.s., Prague
Member of the Supervisory Board of Smart.IPO AG, Munich
Member of the Supervisory Board of Medi - Globe Corp., Tempe, Arizona
Member of the Supervisory Board of Quarz Capital Partners Ltd., London
Member of the Supervisory Board of CINSA S.A., Telde

Peter Schemuth
Florstadt

Member of the Executive Board of Baader Wertpapierhandelsbank AG
Manager of IPO GmbH, Puchheim

/ NOTES TO THE CONSOLIDATED ACCOUNTS OF
BAADER WERTPAPIERHANDELSBANK AKTIENGESELLSCHAFT
FOR THE FISCAL YEAR 1999

SUPERVISORY BOARD

Prof. Dr. Gerhard Tremer
Gräfelfing

Chairman

Former member of the Executive Board of Bayerische Landesbank, Munich

Member of the Supervisory Board of Baader Securities a.s., Prague

Chairman of the Supervisory Board of Heilit & Wörner AG, Munich
(until 23.04.1999)

Member of the Supervisory Board of Heilit & Wörner AG, Munich
(since 24.04.1999)

Member of the Supervisory Board of Mannesmann Sachs AG, Schweinfurt

Dr. Kurt Körfgen
Rodgau

Vice-Chairman

Managing Partner of IRW Institut für Recht und Wirtschaft GmbH,
Frankfurt am Main

Prof. Dr. Jürgen Bott
Stockstadt
(until 28.02.1999)

College lecturer

Josef Faltenbacher
Munich

Certified Public Accountant

Member of the Supervisory Board of Advanced Medien AG, Oberhaching



BAADER

NOTES TO THE CONSOLIDATED ACCOUNTS OF
BAADER WERTPAPIERHANDELSBANK AKTIENGESELLSCHAFT
FOR THE FISCAL YEAR 1999

SUPERVISORY BOARD (PART 2)

Jörg Plank
Mainz

Trader
(Employee representative)

Dr. Horst Schiessl
Munich
(since 01.04.1999)

Lawyer
Chairman of the Supervisory Board of Chiemsee AG, Munich
Chairman of the Supervisory Board of Softing AG, Haar (near Munich)

Thomas Wiegelmann
Mörfelden-Walldorf

IT specialist
(Employee representative)

NOTES TO THE CONSOLIDATED ACCOUNTS OF
 BAADER WERTPAPIERHANDELSBANK AKTIENGESELLSCHAFT
 FOR THE FISCAL YEAR 1999

XII. LIST OF GROUP AND PARENT COMPANY SHAREHOLDINGS

Name/Location	shareholding in %	most recent accounts	shareholders' equity (total)	result of last fiscal year
			€	€
IPO GmbH* Puchheim	100,00	31.12.1999	22.713.993	0**
Baader Securities a.s.* Prague, Czech Republic	75,00	31.12.1999	915.943	-175.526
KST Wertpapierhandels - AG* Stuttgart	47,55	31.12.1999	13.921.667	4.628.639
Real Garant Versicherung AG Neuhausen	34,50	31.12.1998	10.426.607	-448.898
SPAG St. Petersburg Immobilien und Beteiligungen AG Frankfurt	32,08	31.12.1998	19.910.595	-175.950

* companies included in the consolidated Group accounts

** profit/loss transfer agreement

XIII. MOVEMENT OF FIXED ASSETS OF THE COMPANY

	acquisition or manufacturing costs			balance as at 31.12.1999 €	accumulated depreciation			book value	book value	
	balance as at 01.01.1999 €	transfers additions* €	disposals €		balance as at 01.01.1999 €	transfers additions* €	disposals €	balance as at 31.12.1999 €	31.12.1999 €	31.12.1998 €
A. Intangible assets										
Concessions, commercial property rights and similar rights and values	1.652.381,10	801,64 T 638.344,88	0,00	2.291.527,62	279.785,32	801,13 T 877.212,78	0,00	1.157.799,23	1.133.728,39	1.372.595,78
B. Tangible assets										
Fittings and fixtures	1.071.638,56	-801,64 T 948.801,26	168.318,52	1.851.319,66	487.457,93	-801,13 T 331.846,33	98.057,33	720.445,80	1.130.873,86	584.180,63
	<u>2.724.019,66</u>	0,00 T <u>1.587.146,14</u>	<u>168.318,52</u>	<u>4.142.847,28</u>	<u>767.243,25</u>	0,00 T <u>1.209.059,11</u>	<u>98.057,33</u>	<u>1.878.245,03</u>	<u>2.264.602,25</u>	<u>1.956.776,41</u>
C. Financial assets										
1. Investments in companies	25.061,48	8.895.763,44 T 27.624.647,27	0,00	36.545.472,19	0,00	6.498.070,71	0,00	6.498.070,71	30.047.401,48	25.061,48
2. Investments in associated companies	711.244,51	0,00 T 22.730.173,47	0,00	23.441.417,98	38.857,67	0,00	38.857,67	0,00	23.441.417,98	672.386,84
3. Investment securities	31.904.151,22	-8.895.763,44 T 0,00	22.700.262,84	308.124,94	6.695.555,34	0,00	6.695.555,34	0,00	308.124,94	25.208.595,88
	<u>32.640.457,21</u>	0,00 T <u>50.354.820,74</u>	<u>22.700.262,84</u>	<u>60.295.015,11</u>	<u>6.734.413,01</u>	<u>6.498.070,71</u>	<u>6.734.413,01</u>	<u>6.498.070,71</u>	<u>53.796.944,40</u>	<u>25.906.044,20</u>

Transfers from current assets amounting to H 450.380,27 are included in the additions to investments in companies.
Transfers to current assets amounting to H 11.011.039,81 are included in the disposals from the investment securities item.

*Additions to accumulated depreciation comprise all depreciation for the year under review.

XIV. MOVEMENT OF FIXED ASSETS OF THE GROUP

	acquisition or manufacturing costs			balance as at 31.12.1999 €	balance as at 01.01.1999 €	accumulated depreciation		book value	book value	
	balance as at 01.01.1999 €	transfers additions* €	disposals €			transfers additions* €	disposals €	balance as at 31.12.1999 €	31.12.1999 €	
A. Intangible assets										
1. Concessions, commercial property rights and similar rights and values	1.680.860,80	801,64 T 639.508,22	909,00	2.320.261,66	302.895,77	801,13 T 879.622,81	737,64	1.182.582,07	1.137.679,59	1.377.965,03
2. Goodwill	16.576,46	0,00	0,00	16.576,46	16.576,46	0,00	0,00	16.576,46	0,00	0,00
	1.697.437,26	801,64 T 639.508,22	909,00	2.336.838,12	319.472,23	-801,13 T 879.622,81	737,64	1.199.158,53	1.137.679,59	1.377.965,03
B. Tangible assets										
Fittings and fixtures	1.157.779,11	-801,64 T 965.438,94	150.974,18	1.971.442,23	548.392,65	-801,13 T 344.188,20	79.908,48	811.871,24	1.159.570,99	609.386,46
	<u>2.855.216,37</u>	0,00 T <u>1.604.947,16</u>	<u>151.883,18</u>	<u>4.308.280,35</u>	<u>867.864,88</u>	0,00 T <u>1.223.811,01</u>	<u>80.646,12</u>	<u>2.011.029,77</u>	<u>2.297.250,58</u>	<u>1.987.351,49</u>
C. Financial assets										
1. Investments in companies	25.061,48	477.480,27	0,00	502.541,75	0,00	410.380,27	0,00	410.380,27	92.161,48	25.061,48
2. Investments in associated companies	0,00	8.895.763,44 T 27.147.167,00	23.335.765,72	12.707.164,72	0,00	6.087.690,44	0,00	6.087.690,44	6.619.474,28	0,00
3. Investment securities	31.904.151,22	-8.895.763,44 T 0,00	22.700.262,84	308.124,94	6.695.555,34	0,00	6.695.555,34	0,00	308.124,94	25.208.595,88
	<u>31.929.212,70</u>	0,00 T <u>27.624.647,27</u>	<u>46.036.028,56</u>	<u>13.517.831,41</u>	<u>6.695.555,34</u>	<u>6.498.070,71</u>	<u>6.695.555,34</u>	<u>6.498.070,71</u>	<u>7.019.760,70</u>	<u>25.233.657,36</u>

Transfers from current assets amounting to H 450.380,27 are included in the additions to investments in companies.

Transfers to current assets amounting to H 11.011.039,81 are included in the disposals from the investment securities item.

*Additions to accumulated depreciation comprise all depreciation for the year under review.



BAADER

Munich, March 29, 2000
Baader Wertpapierhandelsbank AG

The Executive Board

Uto Baader Peter Schemuth

/ AUDITORS' OPINION

We have audited the consolidated accounts with inclusion of the accounts of Baader Wertpapierhandelsbank Aktiengesellschaft, the Group accounts and the Group and parent company management report, for the fiscal year ending December 31, 1999. The preparation of these documents is the responsibility of the Executive Board of the company, according to German law and according to the company charter. Our responsibility is to express an opinion, based on our audit, on the consolidated accounts and the Group and company management report.

We conducted our audit in accordance with Section 317 HGB (German Commercial Code), taking into account the generally accepted standards for the audit of accounts promulgated by the German Association of Public Accountants, Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the accounts of the parent company, the Group accounts and the Group and company management report are free of significant errors, omissions or violations. The evidence supporting the amounts and disclosures in the accounts of the parent company, the Group accounts, as well as the Group and company management report is examined on a test basis. The audit comprises the evaluation of the accounts of the companies consolidated in the Group accounts, the definition of the consolidation, the examination of the consolidation of companies and the

accounting and consolidation methods used, the evaluation of significant estimates of the Executive Board as well as evaluation of the consolidated accounts and the Group and company management report in their entirety. We believe that our audit provides a reasonable basis for our opinion.

No objections were raised to the results of our audit.

With due regard to generally accepted accounting principles, we are of the opinion that the consolidated accounts give a true and fair view of the assets, liabilities, financial position and profit situation of the company and the Group. The Group and company management report adequately reflect the financial position of the Group and the company and sufficiently explain the possible risks entailed in the Group's future development.

Bremen, April 4, 2000

Dipl.-Kfm. Joachim M. Clostermann
Certified Public Accountant

Dipl.-Oec. Torsten Jasper
Certified Public Accountant



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