

FAHNESTOCK VINER HOLDINGS INC.
INTERIM REPORT TO SHAREHOLDERS
FOR THE SIX MONTHS ENDED
JUNE 30, 1998

FAHNESTOCK VINER HOLDINGS INC.

To the Shareholders:

Fahnestock Viner Holdings Inc. reported earnings of U.S.\$6,205,000 or \$0.49 per share for the second quarter ended June 30, 1998 compared to U.S. \$4,506,000 or \$0.37 per share for the second quarter of 1997, an increase of 38%. Revenue for the second quarter of 1998 rose to a record U.S. \$67,903,000, an increase of 53% over revenue of U.S. \$44,418,000 in the second quarter of 1997, as commissions, investment banking income, and asset management fees reached new highs, all significantly affected by the acquisition of First of Michigan Corporation ("FOM") in July 1997.

Net profit for the six months ended June 30, 1998 was U.S. \$13,238,000 or \$1.04 per share compared to U.S. \$11,575,000 or \$0.94 per share for the comparable period of 1997, an increase of 14% in net profit. Revenue for the first six months of 1998 was U.S. \$137,102,000, an increase of 44% compared to revenue of U.S. \$94,906,000 in the first six months of 1997.

There was a continuation of strong markets in the second quarter of 1998 with stock indexes reaching new highs and with long bond yields at secular lows, making for a positive investment environment. Commission income increased by 55% in the second quarter of 1998 compared to the same period of 1997 due to strong mutual fund activity and increases in listed securities volume. Net revenue from principal transactions increased by 20%. Investment banking revenues and advisory fees both showed significant improvement in the second quarter of 1998 compared to 1997 due to increased underwriting and private placement activity. Net interest revenue (interest revenue less interest expense) increased by 27% in the second quarter of 1998 compared to the second quarter of 1997 as a result of higher client balances brought about both by the addition of the FOM business and a generally more active client business in 1998 compared to 1997. Expenses, other than interest, increased by 59% in the second quarter of 1998 compared to 1997, with FOM accounting for a substantial portion of the increase.

Operations at FOM improved in the second quarter, as the population of investment executives stabilized. The contribution of FOM continued to fall short of expectations, however, the process of rebuilding has begun. Higher than normal costs associated with terminations, transferring client accounts, repopulating branches and other attendant costs reduced profit margins in the second quarter of 1998, but are expected to reach more normal levels during the second half of 1998.

The weighted average number of shares outstanding in 1998 was 12,684,423, an increase of 3% over 12,265,760 outstanding in 1997 due to employee stock purchases through the 401(k) plan and the exercise of employee stock options. The Company purchased a total of 44,000 Class A non-voting shares at an average price of U.S. \$17.76 pursuant to the Normal Course Issuer Bid which terminated on July 1, 1998. The book value per share at June 30, 1998 was U.S. \$13.69, an increase of 16% compared to U.S. \$11.77 at June 30, 1997.

On June 30, 1998 the Company announced that commencing July 3, 1998 it intended to purchase up to 790,000 (approximately 10% of the public float) of its Class A non-voting shares by way of a Normal Course Issuer Bid through the facilities of The Toronto Stock Exchange and the New York Stock Exchange. The Company stated that it believes that the Class A non-voting shares may be undervalued from time to time and that the repurchase of such shares is an appropriate use of corporate funds. Unless terminated earlier by the Company, the Normal Course Issuer Bid will terminate on July 2, 1999. Copies of the Notice of Intention to Make a Normal Course Issuer Bid, as filed with securities regulatory authorities, may be obtained from the Company free of charge.

The Company announced today the declaration of a regular quarterly dividend payable to holders of Class A non-voting and Class B shares of record on August 7, 1998 in the amount of U.S.\$0.07 per share. The dividend payment date will be August 21, 1998.

On behalf of the Board,

E.K. Roberts,
President

Toronto, Canada
July 21, 1998

FAHNESTOCK VINER HOLDINGS INC.
CONSOLIDATED BALANCE SHEET
AS AT JUNE 30, 1998
(with comparative figures as at December 31, 1997)

<i>unaudited</i>	June 30, 1998	December 31, 1997 *
	Expressed in thousands of U.S. dollars	
ASSETS		
Current assets		
Cash and short-term deposits	\$9,643	\$10,784
Restricted deposits	1,923	1,537
Deposits with clearing organizations	7,048	4,734
Receivable from brokers and clearing organizations	262,479	359,205
Receivable from customers	372,632	350,807
Securities owned, at market value	80,516	63,262
Demand notes receivable	30	30
Other	16,128	27,945
	750,399	818,304
Other assets		
Stock exchange seats (approximate market value \$4,755; \$5,592 in 1997)	1,525	1,542
Fixed assets, net of accumulated depreciation of \$8,579; \$7,458 in 1997)	9,719	9,128
Goodwill, at amortized cost	5,940	6,172
	17,184	16,842
	\$767,583	\$835,146
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Drafts payable	\$14,214	\$18,507
Bank call loans	56,432	23,755
Securities sold under agreements to repurchase	880	-
Payable to brokers and clearing organizations	324,514	422,173
Payable to customers	110,515	117,033
Securities sold, but not yet purchased, at market value	40,197	31,090
Accounts payable and other liabilities	39,405	45,571
Income taxes payable	7,771	16,052
	593,928	674,181
Subordinated loans payable	30	30
Shareholders' equity		
Share capital		
12,585,010 Class A non-voting shares (1997 - 12,408,760 shares)	42,349	41,119
99,680 Class B voting shares	133	133
	42,482	41,252
Contributed capital	1,333	1,333
Retained earnings	129,810	118,350
	173,625	160,935
	\$767,583	\$835,146

* Condensed from audited financial statements.

FAHNESTOCK VINER HOLDINGS INC.
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE PERIOD ENDED JUNE 30,

<i>unaudited</i>	2nd Quarter ended June 30,		Six months ended June 30,	
	1998	1997	1998	1997
Expressed in thousands of U.S. dollars, except per share amounts		(Note d)		(Note d)
REVENUE:				
Commissions	\$ 29,380	\$ 18,941	\$ 58,781	\$ 37,794
Principal transactions, net	14,399	11,984	33,628	29,521
Interest	11,404	8,573	22,387	15,979
Underwriting fees	4,035	1,422	6,352	4,582
Advisory fees	4,776	2,585	10,538	5,450
Other	3,909	913	5,416	1,580
	<u>67,903</u>	<u>44,418</u>	<u>137,102</u>	<u>94,906</u>
EXPENSES:				
Compensation and related expenses	36,317	22,112	72,710	46,565
Clearing and exchange fees	2,078	1,822	4,196	3,575
Communications	5,630	3,658	10,894	7,222
Occupancy costs	3,415	2,255	6,455	4,549
Interest	5,939	4,261	12,156	7,339
Other	3,358	2,201	7,336	4,813
	<u>56,737</u>	<u>36,309</u>	<u>113,747</u>	<u>74,063</u>
Profit before income taxes	11,166	8,109	23,355	20,843
Income tax provision	<u>4,961</u>	<u>3,603</u>	<u>10,117</u>	<u>9,268</u>
NET PROFIT FOR PERIOD	<u>\$ 6,205</u>	<u>\$ 4,506</u>	<u>\$ 13,238</u>	<u>\$ 11,575</u>
Profit per share				
- basic	\$ 0.49	\$ 0.37	\$ 1.04	\$ 0.94
- fully diluted	\$ 0.47	\$ 0.35	\$ 0.97	\$ 0.91

NOTES

(a) Basic earnings per share is based on the weighted average number of Class A non-voting and Class B shares outstanding of 12,684,423 in 1998 and 12,265,760 in 1997. Fully diluted earnings per share reflects the effect of outstanding employee stock options.

(b) The consolidated financial statements have been prepared using accounting principles generally accepted in Canada.

(c) The Company paid cash dividends on February 20, 1998 and May 22, 1998 to holders of Class A non-voting and Class B shares totaling \$1,778,000.

(d) Certain figures have been restated to conform with financial statement presentation adopted at December 31, 1997.

FAHNESTOCK VINER HOLDINGS INC.
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE SIX MONTHS ENDED JUNE 30,

<i>unaudited</i>	1998	1997
<hr/>		
Expressed in thousands of U.S. dollars		
Cash provided by (used for)		
Operating activities:		
Net profit for the year	\$13,238	\$11,575
Charges not affecting cash:		
Depreciation and amortization	1,369	566
Decrease (increase) in non-cash operating capital,		
Restricted deposits	(386)	(494)
Deposits with clearing organizations	(2,314)	(30)
Receivable from brokers and clearing organizations	96,726	(139,577)
Receivable from customers	(21,825)	2,735
Securities owned	(17,254)	(4,436)
Other assets	11,818	885
Drafts payable	(4,293)	(1,854)
Securities sold under agreements to repurchase	880	-
Payable to brokers and clearing organizations	(97,659)	162,804
Payable to customers	(6,518)	4,683
Securities sold, but not yet purchased	9,107	5,803
Accounts payable and other liabilities	(6,166)	(3,733)
Income taxes payable	(8,281)	(5,787)
Cash (used in) provided by operating activities	<u>(31,558)</u>	<u>33,140</u>
Investing and other activities:		
Escrow deposit for stock of First of Michigan Capital Corp.	-	(38,000)
Purchase of fixed assets	(1,712)	(517)
Cash used in investing and other activities	<u>(1,712)</u>	<u>(38,517)</u>
Financing activities:		
Cash dividends paid on Class A non-voting and Class B shares	(1,778)	(1,498)
Issuance of Class A non-voting shares	1,529	1,577
Repurchase of Class A non-voting shares for cancellation	(299)	-
Increase in bank call loans	32,677	5,500
Cash provided by financing activities	<u>32,129</u>	<u>5,579</u>
Increase (decrease) in cash and short-term deposits	(1,141)	202
Cash and short-term deposits, beginning of period	10,784	9,363
Cash and short-term deposits, end of period	<u>\$9,643</u>	<u>\$9,565</u>

STOCK LISTING

The Class A non-voting shares of Fahnestock Viner Holdings Inc. are listed on the New York (FVH) and Toronto (FHV.A) Stock Exchanges.

FORM 10-Q

The Company's Quarterly Report to the U.S. Securities and Exchange Commission on Form 10-Q is available upon request in writing, by telephone, and by email (fvh@idirect.com) and from our website at www.fahnestock.com by clicking on Corporate Information.

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