

FAHNESTOCK VINER HOLDINGS INC.  
NINE MONTHS ENDED  
SEPTEMBER 30, 1998

To the Shareholders:

Fahnestock Viner Holdings Inc. reported earnings of U.S.\$7,589,000 or \$0.60 per share for the third quarter ended September 30, 1998 compared to U.S. \$7,417,000 or \$0.60 per share for the third quarter of 1997. Revenue for the third quarter of 1998 was U.S. \$67,278,000, a decrease of 7% from revenue of U.S. \$72,720,000 in the third quarter of 1997. The decline in revenue in the third quarter 1998 compared to the prior year reflects weaker markets as well as reduced revenues from First of Michigan Corporation ("FOM") compared to the same period in 1997. Revenue levels were consistent with second quarter 1998 levels. The third quarter of 1998 is the first quarter since the acquisition of FOM in July 1997 that has not been impacted by costs resulting from the acquisition.

Net profit for the nine months ended September 30, 1998 was U.S. \$20,827,000 or \$1.65 per share compared to U.S. \$18,992,000 or \$1.53 per share for the comparable period of 1997, an increase of 10% in net profit. Revenue for the first nine months of 1998 was U.S. \$204,380,000, an increase of 22% compared to revenue of U.S. \$167,626,000 in the first nine months of 1997.

Considerable uncertainty has been created in the valuation of banks and securities firms, based on recent press accounts of losses at hedge funds, as well as counterparty risk in derivative instruments and defaults on emerging market debt. The Company is not exposed to losses arising from these sources except as they may impact market performance and activity generally.

The stock market has entered a correction that began in July 1998. The world financial situation, particularly as the collapse of the Asian economies affects the rest of the world, will continue to be the key determinant of the securities market's direction and volatility. Earnings of domestic companies will be selectively impacted by world events and this may lead to a weaker economy in 1999. Low interest rates and low inflation are expected to counteract these external forces.

The weighted average number of shares outstanding in 1998 was 12,654,045, an increase of 2% from 12,431,850 outstanding in 1997. In 1998 the Company's purchases of its Class A non-voting shares occurred in the latter part of the period. Thus, on a weighted basis, this only partially offset the impact of employee stock purchases through the 401(k) plan and the exercise of employee stock options both of which occurred in the beginning of the period. Through September 30, 1998, a total of 294,900 Class A non-voting shares have been purchased at an average price of U.S. \$15.53 pursuant to a Normal Course Issuer Bid which terminates on July 2, 1999. In addition, in fiscal 1998, the Company purchased a total of 17,000 Class A non-voting shares at an average cost of U.S. \$17.58 pursuant to a Normal Course Issuer Bid which terminated on July 1, 1998. The book value per share at September 30, 1998 was U.S. \$14.22, an increase of 16% compared to U.S. \$12.30 at September 30, 1997.

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 November 6, 1998 in the amount of U.S.\$0.07 per share. The dividend payment date will be November 20, 1998.

Certain statements in this release may constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These statements involve a number of risks, uncertainties and other factors, including transaction volume and volatility in the securities markets, that could cause actual results to differ materially, as discussed in the Company’s filings with the Securities and Exchange Commission.

On behalf of the Board,

E.K. Roberts,  
President

Toronto, Canada  
October 20, 1998

FAHNESTOCK VINER HOLDINGS INC.  
CONSOLIDATED STATEMENT OF OPERATIONS  
FOR THE PERIOD ENDED SEPTEMBER 30, (Unaudited)

	Third Quarter ended September 30,		Niine months ended September 30,	
	1998	1997	1998	1997
<b>REVENUE:</b>				
Commissions	\$ 27,799	\$ 34,624	\$ 86,580	\$ 72,418
Principal transactions, net	17,075	17,061	50,703	46,582
Interest	10,780	11,681	33,167	27,660
Underwriting fees	3,824	1,240	10,176	5,822
Advisory fees	6,262	5,104	16,800	10,554
Other	1,538	3,010	6,954	4,590
	<u>67,278</u>	<u>72,720</u>	<u>204,380</u>	<u>167,626</u>
<b>EXPENSES:</b>				
Compensation and related expenses	33,254	37,630	105,964	84,195
Clearing and exchange fees	2,100	3,023	6,296	6,598
Communications	5,158	4,164	16,052	11,386
Occupancy costs	3,446	3,368	9,901	7,917
Interest	5,360	5,865	17,516	13,204
Other	4,265	5,999	11,601	10,812
	<u>53,583</u>	<u>60,049</u>	<u>167,330</u>	<u>134,112</u>
Profit before income taxes	13,695	12,671	37,050	33,514
Income tax provision	6,106	5,254	16,223	14,522
<b>NET PROFIT FOR PERIOD</b>	<u>\$ 7,589</u>	<u>\$ 7,417</u>	<u>\$ 20,827</u>	<u>\$ 18,992</u>
<b>Profit per share</b>				
- basic	\$ 0.60	\$ 0.60	\$ 1.65	\$ 1.53
- fully diluted	\$ 0.59	\$ 0.57	\$ 1.60	\$ 1.47

**NOTES**

- (a) Basic earnings per share is based on the weighted average number of Class A non-voting and Class B shares outstanding of 12,654,045 in 1998 and 12,431,850 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, May 22, 1998 and August 21, 1998 to holders of Class A non-voting and Class B shares totaling \$2,668,000.
- (d) Certain figures have been restated to conform with financial statement presentation adopted for 1998.

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

	September 30, 1998	December 31, 1997 *
Expressed in thousands of U.S. dollars		
<b>ASSETS</b>		
Current assets		
Cash and short-term deposits	\$ 8,854	\$ 10,784
Restricted deposits	1,960	1,537
Deposits with clearing organizations	8,572	4,734
Receivable from brokers and clearing organizations	180,505	359,205
Receivable from customers	341,368	356,087
Securities owned, at market value	68,828	63,262
Demand notes receivable	30	30
Other	18,491	22,665
	<u>628,608</u>	<u>818,304</u>
Other assets		
Stock exchange seats (approximate market value \$4,662; \$5,592 in 1997)	1,516	1,542
Fixed assets, net of accumulated depreciation of \$9,421; \$7,458 in 1997)	9,360	9,128
Goodwill, at amortized cost	5,824	6,172
	<u>16,700</u>	<u>16,842</u>
	<u>\$ 645,308</u>	<u>\$ 835,146</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities		
Drafts payable	\$ 8,763	\$ 18,507
Bank call loans	27,733	23,755
Payable to brokers and clearing organizations	234,883	422,173
Payable to customers	110,009	117,033
Securities sold, but not yet purchased, at market value	35,779	31,090
Accounts payable and other liabilities	40,412	45,571
Income taxes payable	10,773	16,052
	<u>468,352</u>	<u>674,181</u>
Subordinated loans payable	<u>30</u>	<u>30</u>
Shareholders' equity		
Share capital		
12,338,619 Class A non-voting shares (1997 - 12,408,760 shares)	38,089	41,119
99,680 Class B voting shares	133	133
	<u>38,222</u>	<u>41,252</u>
Contributed capital	2,196	1,333
Retained earnings	136,508	118,350
	<u>176,926</u>	<u>160,935</u>
	<u>\$ 645,308</u>	<u>\$ 835,146</u>

\* Condensed from audited financial statements.

FAHNESTOCK VINER HOLDINGS INC.  
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, (Unaudited)

	1998	1997
Expressed in thousands of U.S. dollars		
Cash provided by (used for)		
Operating activities:		
Net profit for the year	\$ 20,827	\$ 18,992
Charges not affecting cash:		
Depreciation and amortization	2,156	932
Decrease (increase) in non-cash operating capital,		
Restricted deposits	(423)	453
Deposits with clearing organizations	(3,838)	(578)
Receivable from brokers and clearing organizations	178,700	(207,619)
Receivable from customers	14,719	(75,760)
Securities purchased under agreements to resell	-	(2,310)
Securities owned	(5,566)	(15,481)
Other assets	4,174	(17,240)
Drafts payable	(9,744)	3,211
Payable to brokers and clearing organizations	(187,290)	253,173
Payable to customers	(7,024)	36,528
Securities sold, but not yet purchased	4,689	20,051
Accounts payable and other liabilities	(5,159)	19,860
Income taxes payable	(5,279)	(1,417)
Cash provided by operating activities	942	32,795
Investing and other activities:		
Purchase of First of Michigan Capital Corporation, net of cash acquired	-	(9,711)
Proceeds from sale of exchange seat	-	1,360
Purchase of fixed assets	(2,015)	(1,037)
Cash used in investing and other activities	(2,015)	(9,388)
Financing activities:		
Cash dividends paid on Class A non-voting and Class B shares	(2,668)	(2,250)
Issuance of Class A non-voting shares	1,851	1,577
Repurchase of Class A non-voting shares for cancellation	(4,881)	-
Tax benefit from employee stock options exercised	863	-
Increase in bank call loans	3,978	10,880
Cash (used in) provided by financing activities	(857)	10,207
(Decrease) increase in cash and short-term deposits	(1,930)	33,614
Cash and short-term deposits, beginning of period	10,784	9,363
Cash and short-term deposits, end of period	\$ 8,854	\$ 42,977

## 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, by e-mail (fvh@idirect.com) and from our website at [www.fahnestock.com](http://www.fahnestock.com) by clicking on "Corporate Information".

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