

**FAHNESTOCK VINER  
HOLDINGS INC.  
6 MONTHS ENDED  
JUNE 30, 1999**

## **FAHNESTOCK VINER HOLDINGS INC.**

To the Shareholders:

Fahnestock Viner Holdings Inc. reported net profit of U.S.\$7,607,000 or \$0.61 per share for the second quarter ended June 30, 1999 compared to U.S. \$6,205,000 or \$0.49 per share for the second quarter of 1998, an increase of 23% in net profit. Revenue for the second quarter of 1999 was U.S. \$72,948,000, an increase of 7% over revenue of U.S. \$67,903,000 in the second quarter of 1998, as commissions, trading activities, and asset management fees surpassed prior year levels.

Net profit for the six months ended June 30, 1999 was U.S.\$12,952,000 or \$1.04 per share compared to U.S. \$13,238,000 or \$1.04 per share for the comparable period of 1998, a decrease of 2% in net profit. Revenue for the first six months of 1999 was U.S. \$136,899,000, compared to revenue of U.S. \$137,102,000 in the first six months of 1998.

During the second quarter of 1999, there was a continuation in the high level of retail investor activity that has shaped the markets for the past several quarters. Volatility increased in the equity and debt markets, as the stock market raced to new highs in early May, dropped back due to concern over higher interest rates, and then reflected relief after comments from the Federal Reserve Board at its June meeting, closing the quarter with renewed strength. The volume on the NYSE and NASDAQ set new records, and the Company likewise set volume records on number of client transactions processed during the quarter.

The modification and testing of the Company's internal systems for Year 2000 compliance is complete and Y2K compliant versions are currently in service. In addition, the Company's newly installed technology platform is operational almost company-wide, with the remaining branches scheduled for installation during the next several weeks. The new workstations integrate, on a single terminal, the ability to enter orders, access the Internet, communicate via email, and utilize internal information systems and portfolio management products.

Through June 30, 1999, the Company has purchased and cancelled a total of 673,700 Class A non-voting shares at an average cost of U.S. \$14.61 (275,200 shares at an average price of U.S. \$14.00 per share were purchased during the first six months of 1999) through the facilities of the New York and the Toronto Stock Exchanges pursuant to a Normal Course Issuer Bid that was open from July 3, 1998 to July 2, 1999.

The Company announced that it intends to purchase up to 758,000 of its Class A non-voting shares (approximately 10% of the public float) by way of a Normal Course Issuer Bid through the facilities of the Toronto and New York Stock Exchanges during the period July 5, 1999 through July 4, 2000. The Company believes that its 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.

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 6, 1999 in the amount of U.S.\$0.07 per share. The dividend payment date will be August 20, 1999.

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 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

July 21, 1999  
Toronto, Canada

FAHNESTOCK VINER HOLDINGS INC.  
CONSOLIDATED BALANCE SHEET (Unaudited)  
AS AT JUNE 30, 1999  
(With comparative figures as at December 31, 1998)

<i>Expressed in thousands of U.S. dollars</i>	1999	1998
<b>ASSETS</b>		
Current assets		
Cash and short-term deposits	\$ 14,975	\$ 11,501
Restricted deposits	2,751	2,312
Securities purchased under agreement to resell	38,067	12,174
Deposits with clearing organizations	12,327	7,072
Receivable from brokers and clearing organizations	197,924	167,018
Receivable from customers	466,608	334,664
Securities owned, at market value	78,748	88,579
Demand notes receivable	30	30
Other	17,611	26,912
	829,041	650,262
Other assets		
Stock exchange seats (approximate market value \$6,535; \$4,798 in 1998)	1,326	1,507
Fixed assets, net of accumulated depreciation of \$10,334; \$8,896 in 1998)	9,301	9,286
Goodwill, at amortized cost	5,476	5,708
	16,103	16,501
	\$ 845,144	\$ 666,763
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities		
Drafts payable	\$ 16,024	\$ 22,734
Bank call loans	29,779	42,217
Securities sold under agreement to repurchase	28,425	664
Payable to brokers and clearing organizations	384,466	235,029
Payable to customers	116,657	115,878
Securities sold, but not yet purchased, at market value	45,258	41,104
Accounts payable and other liabilities	37,939	40,119
Income taxes payable	8,231	2,665
Subordinated loans payable	30	30
	666,809	500,440
Shareholders' equity		
Share capital		
12,375,819 Class A non-voting shares (1998-12,241,269)	36,646	36,728
99,680 Class B voting shares	133	133
	36,779	36,861
Contributed capital	3,105	2,196
Retained earnings	138,451	127,266
	178,335	166,323
	\$ 845,144	\$ 666,763

FAHNESTOCK VINER HOLDINGS INC.  
CONSOLIDATED STATEMENT OF OPERATIONS (Unaudited)

<i>Expressed in thousands of U.S. dollars, except per share amounts</i>	SECOND QUARTER ENDED		SIX MONTHS ENDED	
	JUNE 30,		JUNE 30,	
	1999	1998	1999	1998
<b>REVENUE:</b>				
Commissions	\$31,540	\$29,380	\$60,813	\$58,781
Principal transactions, net	20,135	14,399	34,938	33,628
Interest	10,992	11,404	20,188	22,387
Underwriting fees	2,690	4,035	5,606	6,352
Advisory fees	5,519	4,776	12,018	10,538
Other	2,072	3,909	3,336	5,416
	72,948	67,903	136,899	137,102
<b>EXPENSES:</b>				
Compensation and related expenses	37,189	36,317	71,183	72,710
Clearing and exchange fees	2,452	2,078	4,632	4,196
Communications	5,377	5,630	10,705	10,894
Occupancy costs	3,353	3,415	6,360	6,455
Interest	5,579	5,939	10,214	12,156
Other	5,243	3,358	10,058	7,336
	59,193	56,737	113,152	113,747
Profit before income taxes	13,755	11,166	23,747	23,355
Income tax provision	6,148	4,961	10,795	10,117
<b>NET PROFIT FOR PERIOD</b>	<b>\$7,607</b>	<b>\$6,205</b>	<b>\$12,952</b>	<b>\$13,238</b>
<b>Profit per share</b>				
- basic	\$0.61	\$0.49	\$1.04	\$1.04
- fully diluted	\$0.60	\$0.47	\$1.02	\$1.01

Notes:

(a) Basic earnings per share is based on the weighted average number of Class A non-voting and Class B shares outstanding of 12,511,060 in 1999 and 12,684,423 in 1998. 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 26, 1999 and May 21, 1999 to holders of Class A non-voting and Class B shares totaling \$1,768,000.

FAHNESTOCK VINER HOLDINGS INC.  
CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)  
FOR THE SIX MONTHS ENDED JUNE 30,

<i>Expressed in thousands of U.S. dollars</i>	1999	1998
<b>Cash flows from operating activities:</b>		
Net profit for the period	\$ 12,952	\$ 13,238
Adjustments to reconcile net profit to net cash provided by (used in) operating activities:		
Non-cash items included in net profit:		
Depreciation and amortization	1,686	1,369
Gain on sale of exchange seat	(492)	-
Decrease (increase) in operating assets,		
Restricted deposits	(439)	(386)
Securities purchased under agreement to resell	(25,893)	-
Deposits with clearing organizations	(5,255)	(2,314)
Receivable from brokers and clearing organizations	(30,906)	96,726
Receivable from customers	(131,944)	(21,825)
Securities owned	9,831	(17,254)
Other assets	9,302	11,818
Increase (decrease) in operating liabilities		
Drafts payable	(6,710)	(4,293)
Securities sold under agreement to repurchase	27,761	880
Payable to brokers and clearing organizations	149,437	(97,659)
Payable to customers	780	(6,518)
Securities sold, but not yet purchased	4,154	9,107
Accounts payable and other liabilities	(2,180)	(6,166)
Income taxes payable	5,567	(8,281)
Cash provided by (used in) operating activities	<u>17,651</u>	<u>(31,558)</u>
<b>Cash flows from investing activities:</b>		
Proceeds from sale of exchange seat	655	-
Purchase of fixed assets	(1,453)	(1,712)
Cash (used in) investing activities	<u>(798)</u>	<u>(1,712)</u>
<b>Cash flows from financing activities:</b>		
Cash dividends paid on Class A non-voting and Class B shares		
	(1,768)	(1,778)
Issuance of Class A non-voting shares	3,771	1,529
Repurchase of Class A non-voting shares for cancellation	(3,853)	(299)
Tax benefit from employee stock options exercised	909	-
(Decrease) increase in bank call loans	(12,438)	32,677
Cash (used in) provided by financing activities	<u>(13,379)</u>	<u>32,129</u>
Net increase (decrease) in cash and short-term deposits	3,474	(1,141)
Cash and short-term deposits, beginning of period	11,501	10,784
Cash and short-term deposits, end of period	<u>\$ 14,975</u>	<u>\$ 9,643</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 Securities and Exchange Commission on Form 10-Q is available upon request from either of the offices listed below or by email to [fvh@idirect.com](mailto:fvh@idirect.com).

**WEBSITE**

The Company's public financial filings and press releases are posted on its website at [www.fahnestock.com](http://www.fahnestock.com) . Click on "Corporate Information".

**OFFICES**

Fahnestock Viner Holdings Inc.  
P.O. Box 2015, Suite 1110  
20 Eglinton Avenue West  
Toronto Canada M4R 1K8  
(416) 322-1515 FAX (416) 322-7007

Fahnestock & Co. Inc.  
125 Broad Street  
New York, NY 10004  
U.S.A.  
(212) 668-8000 FAX (212) 943-8728