FAHNESTOCK
ESTABLISHED 1881

Fahnestock Viner Holdings Inc.

Second Quarter
June 30, 2002

Fahnestock Viner Holdings Inc.

Index

All amounts herein are expressed in U.S. dollars.

To the Shareholders:

Fahnestock Viner Holdings Inc. reported net profit of $883,000 or $0.07 per share for the second quarter of 2002, a decrease of 77% in net profit when compared to $3,919,000 or $0.32 per share in the second quarter of 2001. Revenue for the second quarter of 2002 was $68,144,000, an increase of 20% compared to revenue of $56,876,000 in the second quarter of 2001. At June 30, 2002, book value per share was $19.58 compared to book value per share of $19.13 at June 30, 2001, an increase of 2%.

Net profit for the six months ended June 30, 2002 was $2,515,000 or $0.20 per share compared to $13,036,000 or $1.06 per share in the first half of 2001, a decrease of 81%. Revenue for the six months ended June 30, 2002 was $138,661,000 compared to $130,371,000 in the comparable period of 2001, an increase of 6%.

Economic indicators continue to show positive signs that the recent recession has come to an end. However fears of a second plunge back into recession, a continuous stream of negative news about accounting irregularities and disclosure violations, and numerous corporate earnings restatements have substantially reduced investor confidence in the securities markets. This environment has resulted in the third year in which popular averages have fallen amid reduced volume.

The Company's acquisitions of Josephthal Group, Inc. and Prime Charter Ltd in the second half of 2001 and its acquisition of the business of BUYandHOLD Securities in March 2002 has substantially increased the Company's retail base compared to 2001. The Company employed 1,121 financial consultants at June 30, 2002 compared to 740 at June 30, 2001, an increase of 51%. The most recent quarter and the year-to-date results reflect the increased size of the organization. Despite substantial rationalization of expenses, the Company continues to be burdened with costs associated with our acquisitions. Included in the expenses for the most recent periods are integration costs of combining facilities, severance payments associated with combining personnel, and most importantly, the costs of litigation for claims that preceded the Company's acquisitions of these entities.

The Company continues to believe that these recent acquisitions were well timed and that they will ultimately result in future profits and help to fuel the growth of the Company. However, unless and until market conditions improve, the Company's results may be disappointing. We will continue to identify and implement initiatives to reduce expenses without eliminating core needs that will permit us to compete effectively in the future.

Both the United States Accounting Standards Board and the Canadian Institute of Chartered Accountants issued new standards with respect to goodwill and other intangible assets, which the Company has adopted effective January 1, 2002. The new standards required a write-off of unamortized ''negative goodwill'', which arose as a result of past acquisitions. Negative goodwill represents the excess value of net assets acquired above the cost of acquisition. Under Canadian generally accepted accounting principles (GAAP) this write-off was taken as an adjustment to opening retained earnings and does not flow through the Statement of Operations. Under U.S. GAAP, the write-off was reported as a gain from the cumulative effect of a change in accounting principle in the Statement of Operations and amounted to $1,774,000 ($0.14 per share) resulting in net profit for the six months ended June 30, 2002 of $4,289,000 ($.34 per share). Although financial statement presentation differs between Canadian and U.S. GAAP, the effect on shareholders' equity is the same, resulting in the same $19.58 per share book value at June 30, 2002.

The weighted average number of Class A non-voting and Class B shares outstanding for the quarter ended June 30, 2002 was 12,576,771 compared to 12,368,786 outstanding for the quarter ended June 30, 2001, an increase of 2% due to the exercise of employee stock options and offset by the repurchase of shares pursuant to a normal course issuer bid.

The Company announced today a quarterly dividend in the amount of U.S. $0.09 per share, payable on August 16, 2002 to holders of Class A non-voting and Class B shares of record on August 2, 2002.

Pursuant to a normal course issuer bid which terminated on July 4, 2002, the Company purchased a total of 92,200 Class A non-voting shares at an average price of $22.32 (82,700 of these Class A non-voting shares were purchased in the quarter ended June 30, 2002 at an average price of $22.18).

As previously announced on July 5, 2002, the Company intends to purchase up to 620,700 of its Class A non-voting shares (approximately 5% of its issued 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 between July 9, 2002 and July 8, 2003. All shares purchased will be cancelled.

The Company through its principal subsidiary, Fahnestock & Co. Inc., is a U.S. regional broker-dealer offering a full range of services from 90 offices in 20 states and 3 foreign jurisdictions. In addition, through its subsidiary, Freedom Investments, Inc. and the BUYandHOLD division of Freedom, the Company offers online discount brokerage and dollar-based investing services.

On behalf of the Board,

E.K. Roberts,(signed)
President

Toronto, Canada
July 18, 2002

Fahnestock Viner Holdings Inc.

Condensed Consolidated Balance Sheets

(unaudited)

	June 30, 2002	December 31, 2001
	(Expressed in thousands of U.S. dollars)	
ASSETS		
Current assets		
Cash and cash equivalents	$ 23,238	$ 24,217
Restricted deposits	2,381	2,393
Deposits with clearing organizations	5,164	7,686
Receivable from brokers and clearing organizations	195,168	100,694
Receivable from customers	439,690	463,986
Securities owned including amounts pledged of $2,690 ($176 in 2001), at market value	46,554	50,575
Other	44,195	38,430
	756,390	687,981
Other assets		
Stock exchange seats (approximate market value $8,522 ($8,155 in 2001))	3,018	3,018
Fixed assets, net of accumulated depreciation of $21,025 ($18,503 in 2001)	10,378	9,992
Goodwill	11,058	9,284
	24,454	22,294
	$780,844	$710,275
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Drafts payable	$ 21,577	$ 20,622
Bank call loans	33,142	13,134
Payable to brokers and clearing organizations	287,057	179,212
Payable to customers	136,241	188,387
Securities sold, but not yet purchased, at market value	7,895	8,921
Accounts payable and other liabilities	48,487	56,812
Income taxes payable	1,303	1,492
	535,702	468,580
Shareholders' equity		
Share capital		
12,418,277 Class A non-voting shares (2001 — 12,337,085 shares)	35,271	34,460
99,680 Class B voting shares	133	133
	35,404	34,593
Contributed capital	4,721	4,113
Retained earnings	205,017	202,989
	245,142	241,695
	$780,844	$710,275

The accompanying notes are an integral part of these condensed consolidated financial statements.

Fahnestock Viner Holdings Inc.

Condensed Consolidated Statements of Operations (unaudited)

	Three Months Ended June 30, 2002	Three Months Ended June 30, 2001	Six Months Ended June 30, 2002	Six Months Ended June 30, 2001
	(Expressed in thousands of U.S. dollars, except per share amounts)			
REVENUE:				
Commissions	$33,904	$26,614	$ 68,890	$ 56,809
Principal transactions, net	11,891	11,665	25,540	29,762
Interest	6,953	8,466	13,595	21,954
Underwriting fees	5,786	2,493	10,535	5,420
Advisory fees	5,971	5,854	13,454	11,516
Other	3,639	1,784	6,647	4,910
	68,144	56,876	138,661	130,371
EXPENSES:				
Compensation and related expenses	40,525	32,222	84,390	68,898
Clearing and exchange fees	2,283	1,705	4,273	2,541
Communications	8,961	5,688	16,909	11,511
Occupancy costs	5,779	2,748	11,819	5,647
Interest	1,871	3,548	3,817	10,379
Other	6,813	4,114	12,935	8,924
	66,232	50,025	134,143	107,900
Profit before income taxes	**1,912**	**6,851**	**4,518**	**22,471**
Income tax provision	**1,029**	**2,932**	**2,003**	**9,435**
NET PROFIT FOR PERIOD	**$ 883**	**$ 3,919**	**$ 2,515**	**$ 13,036**
Basic earnings per share (note 2)	$ 0.07	$ 0.32	$ 0.20	$ 1.06
Diluted earnings per share	$ 0.07	$ 0.30	$ 0.19	$ 1.02

The accompanying notes are an integral part of these condensed consolidated financial statements.

Fahnestock Viner Holdings Inc.

Condensed Consolidated Statements of Cash Flows (unaudited)

	Three Months Ended June 30, 2002	Three Months Ended June 30, 2001	Six Months Ended June 30, 2002	Six Months Ended June 30, 2001
	(Expressed in thousands of U.S. dollars)			
Cash flows from operating activities:				
Net profit for the period	$ 883	$ 3,919	$ 2,515	$ 13,036
Adjustments to reconcile net profit to net cash provided by (used in) operating activities:				
Non-cash items included in net profit:				
Depreciation and amortization	1,453	790	2,522	1,596
Decrease (increase) in operating assets, net of the effect of acquisitions:				
Restricted deposits	(200)	442	12	347
Securities purchased under agreement to resell	—	(699)	—	21,500
Deposits with clearing organizations	(1,354)	(10,708)	2,522	(10,207)
Receivable from brokers and clearing organizations	(115,013)	483,990	(94,474)	24,016
Receivable from customers	50,742	3,921	24,296	89,321
Securities owned	1,637	(2,431)	4,318	4,486
Other assets	3,794	(40)	(5,764)	(1,637)
Increase (decrease) in operating liabilities, net of the effect of acquisitions:				
Drafts payable	1,626	1,153	955	(11,272)
Securities sold under agreement to repurchase	—	(453,155)	—	(21,500)
Payable to brokers and clearing organizations	94,364	(471)	107,844	(78,437)
Payable to customers	(15,481)	(5,141)	(52,146)	(27,487)
Securities sold, but not yet purchased	573	106	(1,026)	4,584
Accounts payable and other liabilities	(6,832)	(2,183)	(8,326)	(7,937)
Tax benefit from employee stock options exercised	93	173	608	469
Income taxes payable	80	(4,937)	(189)	(2,122)
Cash provided by (used in) operating activities	16,365	14,729	(16,333)	(1,244)

(continued next page)

Condensed Consolidated Statements of Cash Flows (unaudited) — (Continued)

	Three Months Ended June 30, 2002	Three Months Ended June 30, 2001	Six Months Ended June 30, 2002	Six Months Ended June 30, 2001
	(Expressed in thousands of U.S. dollars)			
Cash flows from investing activities:				
Purchase of the business of BUYandHOLD	—	—	(2,297)	—
Purchase of fixed assets	(321)	(252)	(907)	(402)
Cash used in investing activities	(321)	(252)	(3,204)	(402)
Cash flows from financing activities:				
Cash dividends paid on Class A non-voting and Class B shares	(1,132)	(1,113)	(2,261)	(2,212)
Issuance of Class A non-voting shares	390	581	2,645	3,928
Repurchase of Class A non-voting shares for cancellation	(1,834)	—	(1,834)	—
(Increase) decrease in bank call loans	(16,139)	(13,200)	20,008	(1,433)
Cash (used in) provided by financing activities	(18,715)	(13,732)	18,558	283
Net (decrease) increase in cash and cash equivalents	(2,671)	745	(979)	(1,363)
Cash and cash equivalents, beginning of period	25,909	12,561	24,217	14,669
Cash and cash equivalents, end of period	$ 23,238	$ 13,306	$ 23,238	$ 13,306

The accompanying notes are an integral part of these condensed consolidated financial statements.

Fahnestock Viner Holdings Inc.

Condensed Consolidated Statements of Changes in Shareholders' Equity (unaudited)

	Three Months Ended June 30, 2002	Three Months Ended June 30, 2001	Six Months Ended June 30, 2002	Six Months Ended June 30, 2001
	(Expressed in thousands of U.S. dollars)			
Share capital				
Balance at beginning of period	$ 36,848	$ 33,366	$ 34,593	$ 30,019
Issue of Class A non-voting shares	390	581	2,645	3,928
Repurchase of Class A non-voting shares for cancellation	(1,834)	—	(1,834)	—
Balance at end of period	$ 35,404	$ 33,947	$ 35,404	$ 33,947
Contributed capital				
Balance at beginning of period	$ 4,628	$ 3,795	$ 4,113	$ 3,499
Tax benefit from employee stock options exercised	93	173	608	469
Balance at end of period	$ 4,721	$ 3,968	$ 4,721	$ 3,968
Retained earnings				
Balance at beginning of period	$205,266	$196,300	$202,989	$188,282
Cumulative effect of a change in accounting principles	—	—	1,774	—
Net profit for the period	883	3,919	2,515	13,036
Dividends	(1,132)	(1,113)	(2,261)	(2,212)
Balance at end of period	$205,017	$199,106	$205,017	$199,106
TOTAL SHAREHOLDERS' EQUITY	$245,142	$237,021	$245,142	$237,021

The accompanying notes are an integral part of these condensed consolidated financial statements.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

1. Basis of Presentation

The condensed consolidated financial statements include the accounts of Fahnestock Viner Holdings Inc. (''FVH'') and its subsidiaries (together, the ''Company''). The principal subsidiary of FVH is Fahnestock & Co. Inc. (''Fahnestock''), a registered broker-dealer in securities. The Company engages in a broad range of activities in the securities industry, including retail securities brokerage, institutional sales and trading, investment banking (both corporate and public finance), underwritings, research, market-making, and investment advisory and asset management services. The Company provides its services from 90 offices in 20 states located throughout the United States. Fahnestock conducts business in Toronto, Canada and in South America through local broker-dealers. The Company employs approximately 1,782 people, of whom 1,121 are financial consultants.

All material intercompany accounts have been eliminated in consolidation.

The Company's condensed consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and in all material respects conform with United States of America GAAP, except as described below. These accounting principles are set out in the notes to the Company's consolidated financial statements for the year ended December 31, 2001 included in its 2001 Annual Report. Disclosures reflected in these condensed consolidated financial statements comply in all material respects with those required pursuant to the rules and regulations of the United States Securities and Exchange Commission (''SEC'') with respect to quarterly financial reporting.

The financial statements include all adjustments, which in the opinion of management, are normal and recurring and necessary for a fair presentation of the results of operations, financial position and cash flows for the interim periods presented. The nature of the Company's business is such that the results of operations for the interim periods are not necessarily indicative of the results to be expected for a full year.

These condensed consolidated financial statements are presented in U.S. dollars.

2. Recent Accounting Pronouncements

Both the United States Accounting Standards Board and the Canadian Institute of Chartered Accountants issued new standards with respect to Goodwill and Other Intangible Assets, which the Company has adopted effective January 1, 2002. The new standards require a write-off of unamortized ''negative goodwill'' in the amount of $1,774,000, which arose as a result of the acquisitions of Hopper Soliday Corporation and subsidiaries, Reich & Co., Inc. and Propp & Company Inc. Negative goodwill represents the excess value of net assets acquired above the cost of acquisition. Under Canadian generally accepted accounting principles (GAAP) the write-off is taken as an adjustment to opening retained earnings and does not flow through the statement of operations. Under U.S. GAAP the write-off is recognized in the statement of operations as a gain from the cumulative effect of a change in accounting principle. Although the financial statement presentation differs, the effect of the application of both Canadian and U.S. GAAP on shareholders' equity results in the same U.S. $19.58 book value per share at June 30, 2002.

Under both Canadian and U.S. GAAP, the new standards also stipulate that remaining unamortized goodwill of $11,058,000, which arose on the acquisitions of Fahnestock & Co. Inc., Fahnestock International Inc., First of Michigan Capital Corporation, Josephthal Group, Inc. and Grand Charter Group Incorporated, will no longer be amortized but will be tested for impairment at least annually. Such impairment test has been performed as at June 30, 2002 and no impairment has been recorded.

The Company would have recorded approximately $388,000 ($.03 per share) of goodwill amortization expense for the six months ended June 30, 2002 had the new accounting standard not been adopted.

The following table reflects the results of operations as though FAS 142 had been adopted on January 1, 2001.

	Three Months Ended June 30, 2002	Three Months Ended June 30, 2001	Six Months Ended June 30, 2002	Six Months Ended June 30, 2001
	(Expressed in thousands of dollars), except per share amounts			
Net profit as reported	$ 883	$3,919	$4,289	$13,036
Amortization of goodwill as reported	—	104	—	220
Net profit as adjusted	$ 883	$4,023	$4,289	$13,256
Basic earnings per share as reported	$0.07	$ 0.32	$ 0.34	$ 1.06
Diluted earnings per share as reported	$0.07	$ 0.30	$ 0.33	$ 1.02
Basic earnings per share as adjusted	$0.07	$ 0.33	$ 0.34	$ 1.08
Diluted earnings per share as adjusted	$0.07	$ 0.31	$ 0.33	$ 1.04

3. Earnings per share

Earnings per share was computed by dividing net profit by the weighted average number of Class A non-voting and Class B shares outstanding. Diluted earnings per share includes the weighted average Class A non-voting and Class B shares outstanding and the effects of Class A non-voting share options using the treasury stock method.

Earnings per share has been calculated as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
Basic weighted average number of shares outstanding	12,576,771	12,368,786	12,559,595	12,287,373
Net effect, treasury method	264,162	491,303	356,382	446,392
Diluted common shares	12,840,933	12,860,089	12,915,977	12,733,765
Net profit for the period	$ 883,000	$3,919,000	$2,515,000	$13,036,000
Basic earnings per share	$ 0.07	$ 0.32	$ 0.20	$ 1.06
Diluted earnings per share	$ 0.07	$ 0.30	$ 0.19	$ 1.02

4. Differences between U.S. and Canadian GAAP

As discussed in note 2, under U.S. GAAP, the write-off of negative goodwill is recorded as the effect of a change in accounting principle and is recorded in the statement of operations. In its filing with the U.S. Securities and Exchange Commission on Form 10-Q for the quarterly period ended June 30, 2002, prepared in accordance with SEC rules and regulations and following U.S. GAAP, the Company reported a gain from the cumulative effect of a change in accounting principle of $1,774,000 ($0.14 per share) resulting in net profit for the six months ended June 30, 2002 of $4,289,000 ($0.34 per share basic and $0.33 per share diluted).

5. Net Capital Requirements

The Company's principal broker-dealer subsidiary, Fahnestock, is subject to the Uniform Net Capital Rule (the ''Rule'') of the SEC and the net capital rule of the New York Stock Exchange (the ''NYSE''). Fahnestock has elected to use the alternative method permitted by the Rule, which requires that it maintains minimum net capital equal to 2% of aggregate debit items arising from customer transactions, as defined. The NYSE may prohibit a member firm from expanding its business or paying dividends if resulting net capital would be less than 5% of aggregate debit items.

At June 30, 2002, the net capital of Fahnestock as calculated under the Rule was $168,139,000 or 36% of Fahnestock's aggregate debit items. This was $158,871,000 in excess of the minimum required net capital.

6. Segment Information

The table below presents information about the reported operating income of the Company for the periods noted, in accordance with the method described in the Company's Annual Report for the year ended December 31, 2001. The Company's business is conducted primarily in the United States Asset information by reportable segment is not reported, since the Company does not produce such information for internal use.

	Three Months Ended June 30, 2002	Three Months Ended June 30, 2001	Six Months Ended June 30, 2002	Six Months Ended June 30, 2001
	(Expressed in thousands of dollars)			
Revenue:				
Private Client	$ 39,406	$ 30,202	$ 80,944	$ 62,594
Capital Markets	14,786	14,104	31,213	36,237
Asset Management	4,396	3,763	9,014	7,519
Interest	6,216	7,780	12,399	20,563
Other	3,340	1,027	5,091	3,458
Total	$ 68,144	$ 56,876	$138,661	$130,371
Operating Income:				
Private Client*	$ (6,769)	$ (371)	$(14,730)	$ (666)
Capital Markets	2,206	1,215	4,059	8,011
Asset Management	3,264	2,794	6,646	5,148
Interest	4,289	3,823	8,440	9,093
Other	(1,078)	(610)	103	885
Total	$ 1,912	$ 6,851	$ 4,518	$ 22,471

* Losses in 2002 in the Private Client segment are the result of operating losses and acquisition costs relating to Josephthal, Prime Charter and BUYandHOLD and include litigation settlement costs, retention and severance costs and the costs of under-utilized facilities.

7. Acquisitions

On March 12, 2002, through its wholly-owned subsidiary, Freedom Investments, Inc., the Company acquired the business operated by BUYandHOLD Securities Corporation and affiliates for cash consideration of $2,297,000. BUYandHOLD is an online brokerage business headquartered in Edison, NJ, which provides its customers with a dollar-based investing platform. BUYandHOLD operates as a division of Freedom Investments, Inc. and its results since the date of acquisition have been included in these consolidated financial statements. The combination of the Freedom and BUYandHOLD technology platforms provides clients with one of the most comprehensive and diversified suites of financial services offered online today. The acquisition furthers the Company's growth and expansion and adds significantly to its client base, as well as providing additional managerial expertise. The acquisition was accounted for by the purchase method. The following table summarizes the estimated fair value of assets acquired.

Securities owned, at market value	$ 297,000
Furniture, fixtures and equipment	2,000,000
Purchase price paid	$2,297,000

Presented below are unaudited pro forma consolidated results of operation. Amounts presented for 2002 and 2001 give effect to the acquisition of the business of BUYandHOLD Securities Corporation and affiliates as if the transaction was consummated as at January 1, 2001. The pro forma information is for comparative purposes only and is not necessarily indicative either of the actual results that would have occurred if the acquisition had been consummated at the beginning of the period presented, or of future operations of the combined companies. The Company anticipates significant cost savings as a result of the consolidation of the operations of BUYandHOLD with the Company's business, which is not reflected in this pro forma presentation.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
	(Expressed in thousands of dollars), except per share amounts			
Revenue	$ 68,144	$ 58,892	$140,839	$133,724
Profit before tax from operations	$ 1,912	$ 3,733	$ 3,452	$ 15,799
Net profit	$ 883	$ 2,165	$ 2,002	$ 9,163
Basic earnings per share	$ 0.07	$ 0.18	$ 0.16	$ 0.75
Diluted earnings per share	$ 0.07	$ 0.17	$ 0.15	$ 0.72

8. Subsequent Event

On July 18, 2002 the Board of Directors approved a Stock Appreciation Rights Plan (the ''Plan'') on behalf of certain employees of the Company and its subsidiaries. The Plan will permit employee participation in appreciation in the Class A non-voting shares of the Company without the issuance of such additional shares. The estimated benefit of Stock Appreciation Rights granted will be recorded as additional compensation expense over the vesting period. To the extent utilized, Stock Appreciation Rights granted under the Plan will replace employee stock options which would otherwise have been granted.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The Company's financial statements have been prepared in accordance with Canadian generally accepted accounting principles and conform in all material respects with United States generally accepted accounting principles, except as discussed in note 4 of the attached condensed consolidated financial statements. Reference is also made to the Company's consolidated financial statements and notes thereto found in its Annual Report to the shareholders for fiscal 2001.

Business Environment

The securities industry is directly affected by general economic and market conditions, including fluctuations in volume and price levels of securities and changes in interest rates, all of which have an impact on commissions and firm trading and investment income as well as on liquidity. Substantial fluctuations can occur in revenues and net income due to these and other factors, including recent interest in accounting and corporate governance reforms.

Results of Operations

Net profit for the second quarter of 2002 was $883,000 or $0.07 per share, a decrease of 77% in net profit when compared to $3,919,000 or $0.32 per share in the second quarter of 2001. Revenue for the second quarter of 2002 was $68,144,000, an increase of 20% compared to revenue of $56,876,000 in the second quarter of 2001.

The results of the second quarter of 2002 reflected the continued weak business conditions. Fears of recession and a continuous stream of negative news about accounting irregularities and disclosure violations has seriously impacted investor confidence in the markets and has resulted in three straight years of declining averages and reduced volume. Commission income and to a large extent, income from principal transactions, depend on market volume levels. Commission revenue increased by 27% in the second quarter of 2002 compared to the second quarter of 2001 as a result of acquisition of the businesses of Josephthal & Co. Inc. in September 2001, Prime Charter, Ltd. in November 2001 and BUYandHOLD in March 2002, which more than offset generally lower commission levels from weaker markets in 2002 compared to 2001. Net revenue from principal transactions increased by 2% compared to the second quarter of 2001 due to greater success in trading activities in the second quarter of 2002 compared to the same period in 2001. Investment banking revenues increased by 132% compared with the second quarter of 2001, related to increased issuance of closed-end funds and debt securities. Advisory fees increased by 2% in the second quarter of 2002 compared to 2001 primarily as a result of the acquisition of the business of BUYandHOLD Securities in March 2002. BUYandHOLD provides a fee-based approach to retail investors. Net interest revenue (interest revenue less interest expense) increased by 3% in the second quarter of 2002 compared to the second quarter of 2001 as a result of higher customer balances after the recent acquisitions, offsetting the effect of lower rates. Expenses increased by 33% in the second quarter of 2002 compared to the second quarter of 2001. The increases in expense can be attributed to the acquisitions of Josephthal and Prime Charter in the latter part of 2001 and the business of BUYandHOLD in March 2002. Compensation expense has volume-related components and, therefore, increased with the increased level of commission business conducted in the second quarter of 2002 compared to the second quarter of 2001 as well as staff in newly acquired offices to handle the business of the larger entity. The cost of communications and technology increased 58% in the second quarter of 2002 compared to the second quarter of 2001 due to the costs associated with connecting 51% more financial consultants and 15 more branch offices in 2002 compared to 2001. Occupancy costs increased by 110% in the second quarter of 2002 compared to the second quarter of 2001 due to the additional costs of 15 branch locations in 2002 compared to 2001. Occupancy costs were significantly impacted by costs associated with unused space that is being held for disposal.

Liquidity and Capital Resources

Total assets at June 30, 2002 of $780,844,000 increased by approximately 10% from $710,275,000 at December 31, 2001 due primarily to higher broker/dealer balances. Liquid assets accounted for 97% of total assets, consistent with year-end levels. The Company satisfies its need for funds from its own cash resources, internally generated funds, subordinated borrowings, collateralized and uncollateralized borrowings consisting primarily of bank loans, and uncommitted lines of credit. The amount of Fahnestock's bank borrowings fluctuates in response to changes in the level of the Company's securities inventories and customer margin debt as well as changes in stock loan balances. Fahnestock has arrangements with banks for borrowings on a fully collateralized basis. At June 30, 2002, $33,142,000 of such borrowings were outstanding, an increase of 152% compared to outstanding borrowings at December 31, 2001. At June 30, 2002 the Company had available collateralized and uncollateralized letters of credit of $34,500,000.

Management believes that funds from operations, combined with Fahnestock's capital base and available credit facilities, are sufficient for the Company's liquidity needs in the foreseeable future.

On February 22, 2002 and May 17, 2002, the Company paid cash dividends of U.S.$0.09 per Class A non-voting and Class B share totaling $2,261,000 from available cash on hand.

On July 18, 2002, the Board of Directors declared a regular quarterly cash dividend of U.S.$0.09 per Class A non-voting and Class B share payable on August 16, 2002 to shareholders of record on August 2, 2002.

The book value of the Company's Class A non-voting and Class B shares is $19.58 at June 30, 2002 compared to $19.13 at June 30, 2001, an increase of 2%, based on total outstanding shares of 12,517,957 and 12,389,930, respectively.

Risks and Uncertainties

The Company's principal business activities, by their nature, involve significant market, credit and other risks. These risks are described in the Company's quarterly report on Form 10-Q for the period ended June 30, 2002 filed with the United States Securities and Exchange Commission on the EDGAR website, filed in Canada on the SEDAR website and also available at www.fahnestock.com.

Newly Issued Accounting Standards

Please see the notes to the accompanying condensed consolidated financial statements for a discussion of recently issued accounting standards.

Factors Affecting ''Forward-Looking Statements'

This report contains ''forward-looking statements'' within the meaning of Section 27A of the Securities Act of 1933, as amended (the ''Act''), and Section 21E of the Exchange Act. These forward-looking statements relate to anticipated financial performance, future revenues or earnings, business prospects and anticipated market performance of the Company. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. In order to comply with the terms of the safe harbor, the Company cautions readers that a variety of factors could cause the Company's actual results to differ materially from the anticipated results or other expectations expressed in the Company's forward-looking statements. These risks and uncertainties, many of which are beyond the Company's control, include, but are not limited to: (i) transaction volume in the securities markets, (ii) the volatility of the securities markets, (iii) fluctuations in interest rates, (iv) changes in regulatory requirements which could affect the cost and manner of doing business, (v) fluctuations in currency rates, (vi) general economic conditions, both domestic and international, (vii) changes in the rate of inflation and the related impact on the securities markets, (viii) competition from existing financial institutions and other new participants in the securities markets, (ix) legal developments affecting the litigation experience of the securities industry, (x) changes in federal and state tax laws which could affect the popularity of products sold by the Company and (xi) the effectiveness of efforts to reduce costs and eliminate overlap. There can be no assurance that the Company has correctly or completely identified and assessed all of the factors affecting the Company's business. The Company does not undertake any obligation to publicly update or revise any forward-looking statements.

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WEBSITE
The Company's public financial filings and press releases are posted on its website — www.fahnestock.com.

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
A copy of the Company's Quarterly Report filed with the SEC on Form 10-Q is available upon request from either of the offices listed above or by email to fvh@fahnestock.com.