FAHNESTOCK

ESTABLISHED 1881

Fahnestock Viner Holdings Inc.

Third Quarter
September 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 $1,735,000 or $0.14 per share for the third quarter of 2002, a decrease of 48% in net profit when compared to $3,334,000 or $0.27 per share in the third quarter of 2001. Revenue for the third quarter of 2002 was $68,522,000, an increase of 27% compared to revenue of $53,748,000 in the third quarter of 2001. At September 30, 2002, book value per share was $19.62 compared to book value per share of $19.31 at September 30, 2001, an increase of 2%.

Net profit for the nine months ended September 30, 2002 was $4,250,000 or $0.34 per share compared to $16,370,000 or $1.33 per share in the comparable period of 2001, a decrease of 74%. Revenue for the nine months ended September 30, 2002 was $207,183,000 compared to $184,119,000 in the comparable period of 2001, an increase of 13%.

Expectations of reduced corporate earnings, rising unemployment, as well as a slowing economy have reinforced investors' reticence to make new commitments to the equity markets. These concerns, coupled with unremitting disclosures about corporate malfeasance, accounting fraud and arrests of corporate executives, has created an environment of lower stock prices. Valuations of corporate equities, while attractive, are not yet compelling. Popular averages touched new lows around the globe. While a new recession is not expected, slower economic growth and reduced capital spending is expected to last through the first half of 2003. The Company's results for the quarter reflect the difficult environment.

The Company's acquisitions of Josephthal Group, Inc. and Prime Charter Ltd. on September 17, 2001 and November 9, 2001, respectively, and its acquisition of the business of BUYandHOLD Securities in March 2002 has substantially increased the Company's retail base compared to 2001 as is reflected in the increased revenues in the period just ended despite the current market environment. The Company employed 1,120 financial consultants at September 30, 2002 compared to approximately 735 at September 16, 2001, an increase of 52%. 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. Our focus throughout our business continues to be on cost control.

The Company continues to believe that these recent acquisitions have broadened its revenue-producing base and that they will ultimately result in future profits. The Company also believes that the current environment may yield additional expansion possibilities at favorable terms. However, unless and until market conditions improve, the Company's results may continue to be disappointing.

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 did 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 in the first quarter of 2002 and amounted to $1,774,000 ($0.14 per share) resulting in net profit for the nine months ended September 30, 2002 of $6,024,000 ($0.48 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 $19.62 per share book value at September 30, 2002.

The weighted average number of Class A non-voting and Class B shares outstanding for the quarter ended September 30, 2002 was 12,501,709 compared to 12,396,537 outstanding for the quarter ended September 30, 2001, a net increase of 1% due to the exercise of employee stock options and offset by the repurchase of shares pursuant to a normal course issuer bid.

During the third quarter of 2002 the Company purchased a total of 67,300 Class A non-voting shares at an average price of $21.19 through the facilities of the New York Stock Exchange pursuant to normal course issuer bid rules. All shares purchased have been cancelled.

The Company announced today a quarterly dividend in the amount of U.S. $0.09 per share, payable on November 22, 2002 to holders of Class A non-voting and Class B shares of record on November 8, 2002.

The Company through its principal subsidiary, Fahnestock & Co. Inc., is a U.S. regional broker-dealer offering a full range of services from 89 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,
President

Toronto, Canada
October 18, 2002

Fahnestock Viner Holdings Inc.

Condensed Consolidated Balance Sheets

(unaudited)

	September 30, 2002	December 31, 2001
	(Expressed in thousands of U.S. dollars)	
ASSETS		
Current assets		
Cash and cash equivalents	$ 23,176	$ 24,217
Restricted deposits	2,475	2,393
Deposits with clearing organizations	3,304	7,686
Receivable from brokers and clearing organizations	541,504	100,694
Receivable from customers	355,918	463,986
Securities owned including amounts pledged of $120 ($176 in 2001), at market value	49,157	50,575
Other	41,745	37,531
	1,017,279	687,082
Other assets		
Stock exchange seats (approximate market value $8,260; $8,155 in 2001)	3,018	3,018
Fixed assets, net of accumulated depreciation of $22,210; $18,503 in 2001	9,865	9,992
Goodwill	11,957	10,183
	24,840	23,193
	$1,042,119	$710,275
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Drafts payable	$ 16,321	$ 20,622
Bank call loans	1,372	13,134
Payable to brokers and clearing organizations	581,787	179,212
Payable to customers	136,208	188,387
Securities sold, but not yet purchased, at market value	9,327	8,921
Accounts payable and other liabilities	52,421	56,812
Income taxes payable	—	1,492
	797,436	468,580
Shareholders' equity		
Share capital		
12,369,817 Class A non-voting shares (2001 — 12,337,085 shares)	34,177	34,460
99,680 Class B voting shares	133	133
	34,310	34,593
Contributed capital	4,747	4,113
Retained earnings	205,626	202,989
	244,683	241,695
	$1,042,119	$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 September 30, 2002	Three Months Ended September 30, 2001	Nine Months Ended September 30, 2002	Nine Months Ended September 30, 2001
	(Expressed in thousands of U.S. dollars, except per share amounts)			
REVENUE:				
Commissions	$32,900	$25,683	$101,790	$ 82,492
Principal transactions, net	13,403	11,243	38,943	41,005
Interest	6,876	6,761	20,471	28,715
Underwriting fees	6,531	2,779	17,066	8,199
Advisory fees	5,976	5,462	19,430	16,978
Other	2,836	1,820	9,483	6,730
	68,522	53,748	207,183	184,119
EXPENSES:				
Compensation and related expenses	40,738	32,488	125,128	101,386
Clearing and exchange fees	2,442	1,440	6,715	3,981
Communications	8,029	5,118	24,938	16,629
Occupancy costs	5,511	3,178	17,330	8,826
Interest	2,167	1,857	5,984	12,236
Other	6,850	4,010	19,785	12,933
	65,737	48,091	199,880	155,991
Profit before income taxes	**2,785**	**5,657**	**7,303**	**28,128**
Income tax provision	**1,050**	**2,323**	**3,053**	**11,758**
NET PROFIT FOR PERIOD	**$ 1,735**	**$ 3,334**	**$ 4,250**	**$ 16,370**
Basic earnings per share (note 2)	$ 0.14	$ 0.27	$ 0.34	$ 1.33
Diluted earnings per share	$ 0.14	$ 0.26	$ 0.33	$ 1.28

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 September 30, 2002	Three Months Ended September 30, 2001	Nine Months Ended September 30, 2002	Nine Months Ended September 30, 2001
	(Expressed in thousands of U.S. dollars)			
Cash flows from operating activities:				
Net profit for the period	$ 1,735	$ 3,334	$ 4,250	$ 16,370
Adjustments to reconcile net profit to net cash provided by (used in) operating activities:				
Non-cash items included in net profit:				
Depreciation and amortization	1,185	964	3,707	2,560
Decrease (increase) in operating assets, net of the effect of acquisitions:				
Restricted deposits	(94)	141	(82)	488
Securities purchased under agreement to resell	—	—	—	21,500
Deposits with clearing organizations	1,860	11,319	4,382	1,112
Receivable from brokers and clearing organizations	(346,336)	(75,535)	(440,810)	(51,519)
Receivable from customers	83,772	19,539	108,068	108,860
Securities owned	(2,603)	5,181	1,715	9,667
Other assets	1,550	(2,605)	(4,214)	(4,242)
Increase (decrease) in operating liabilities, net of the effect of acquisitions:				
Drafts payable	(5,256)	(4,018)	(4,301)	(15,290)
Securities sold under agreement to repurchase	—	—	—	(21,500)
Payable to brokers and clearing organizations	294,731	58,676	402,575	(19,761)
Payable to customers	(33)	(7,480)	(52,179)	(34,967)
Securities sold, but not yet purchased	1,432	(4,562)	406	22
Accounts payable and other liabilities	3,935	8,922	(4,391)	985
Tax benefit from employee stock options exercised	26	51	634	520
Income taxes payable	(1,303)	1,396	(1,492)	(726)
Cash provided by operating activities	34,601	15,323	18,268	14,079

(continued next page)

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

	Three Months Ended September 30, 2002	2001	Nine Months Ended September 30, 2002	2001
	(Expressed in thousands of U.S. dollars)			
Cash flows from investing activities:				
Purchase of Josephthal Group, Inc., net of cash acquired	—	3,139	—	3,139
Purchase of the business of BUYandHOLD	—	—	(2,297)	—
Purchase of fixed assets	(673)	(185)	(1,580)	(587)
Cash (used in) provided by investing activities	(673)	2,954	(3,877)	2,552
Cash flows from financing activities:				
Cash dividends paid on Class A non-voting and Class B shares	(1,126)	(1,115)	(3,387)	(3,327)
Issuance of Class A non-voting shares	333	294	2,978	4,222
Repurchase of Class A non-voting shares for cancellation	(1,427)	(130)	(3,261)	(130)
Increase in bank call loans	(31,770)	(19,084)	(11,762)	(20,517)
Cash used in financing activities	(33,990)	(20,035)	(15,432)	(19,752)
Net decrease in cash and cash equivalents	(62)	(1,758)	(1,041)	(3,121)
Cash and cash equivalents, beginning of period	23,238	13,306	24,217	14,669
Cash and cash equivalents, end of period	$ 23,176	$ 11,548	$ 23,176	$ 11,548

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 September 30, 2002	Three Months ended September 30, 2001	Nine Months ended September 30, 2002	Nine Months ended September 30, 2001
	(Expressed in thousands of U.S. dollars)			
Share capital				
Balance at beginning of period	$ 35,404	$ 33,947	$ 34,593	$ 30,019
Issue of Class A non-voting shares	333	294	2,978	4,222
Repurchase of Class A non-voting shares for cancellation	(1,427)	(130)	(3,261)	(130)
Balance at end of period	$ 34,310	$ 34,111	$ 34,310	$ 34,111
Contributed capital				
Balance at beginning of period	$ 4,721	$ 3,968	$ 4,113	$ 3,499
Tax benefit from employee stock options exercised	26	51	634	520
Balance at end of period	$ 4,747	$ 4,019	$ 4,747	$ 4,019
Retained earnings				
Balance at beginning of period	$205,017	$199,106	$202,989	$188,282
Cumulative effect of a change in accounting principles	—	—	1,774	—
Net profit for the period	1,735	3,334	4,250	16,370
Dividends	(1,126)	(1,115)	(3,387)	(3,327)
Balance at end of period	$205,626	$201,325	$205,626	$201,325
TOTAL SHAREHOLDERS' EQUITY	$244,683	$239,455	$244,683	$239,455

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

Fahnestock Viner Holdings Inc.

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. Fahnestock owns Freedom Investments, Inc., which operates its BUYandHOLD division, offering online discount brokerage and dollar-based investing services. 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 89 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 1,761 people, of whom 1,120 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.

Certain prior period amounts have been reclassified to conform to the current year presentation.

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. $19.62 book value per share at September 30, 2002. See note 4 for further discussion.

Under both Canadian and U.S. GAAP, the new standards also stipulate that remaining unamortized goodwill of $11,957,000, 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 September 30, 2002 and no impairment has been recorded.

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

	Three Months ended September 30, 2002	Three Months ended September 30, 2001	Nine Months ended September 30, 2002	Nine Months ended September 30, 2001
	(Expressed in thousands of dollars), except per share amounts			
Net profit as reported	$1,735	$3,334	$6,024	$16,370
Amortization of goodwill as reported	—	104	—	324
Net profit as adjusted	$1,735	$3,438	$6,024	$16,694
Basic earnings per share as reported	$ 0.14	$ 0.27	$ 0.48	$ 1.33
Diluted earnings per share as reported	$ 0.14	$ 0.26	$ 0.47	$ 1.28
Basic earnings per share as adjusted	$ 0.14	$ 0.28	$ 0.48	$ 1.35
Diluted earnings per share as adjusted	$ 0.14	$ 0.27	$ 0.47	$ 1.31

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 September 30, 2002	Three Months ended September 30, 2001	Nine Months ended September 30, 2002	Nine Months ended September 30, 2001
Basic weighted average number of shares outstanding	12,501,709	12,396,537	12,540,088	12,324,161
Net effect, treasury method	167,690	459,069	306,252	445,599
Diluted common shares	12,669,399	12,855,606	12,846,340	12,769,760
Net profit for the period	$1,735,000	$3,334,000	$4,250,000	$16,370,000
Basic earnings per share	$ 0.14	$ 0.27	$ 0.34	$ 1.33
Diluted earnings per share	$ 0.14	$ 0.26	$ 0.33	$ 1.28

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 September 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 nine months ended September 30, 2002 of $6,024,000 ($0.48 per share basic and $0.47 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 September 30, 2002, the net capital of Fahnestock as calculated under the Rule was $154,369,000 or 38% of Fahnestock's aggregate debit items. This was $146,198,000 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 September 30, 2002	Three Months ended September 30, 2001	Nine Months ended September 30, 2002	Nine Months ended September 30, 2001
	(Expressed in thousands of dollars)			
Revenue:				
Private Client	$ 38,588	$ 27,145	$123,267	$ 89,739
Capital Markets	18,374	15,014	49,587	51,251
Asset Management	4,207	3,994	13,221	11,513
Interest	6,200	6,483	18,599	27,046
Other	1,153	1,112	2,509	4,570
Total	$ 68,522	$ 53,748	$207,183	$184,119
Operating Income:				
Private Client*	$ (7,355)	$ (3,293)	$(22,085)	$ (3,960)
Capital Markets	2,857	2,215	6,916	10,226
Asset Management	3,261	2,748	9,908	7,896
Interest	3,802	4,287	12,241	13,381
Other	220	(300)	323	585
Total	$ 2,785	$ 5,657	$ 7,303	$ 28,128

* 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 September 30, 2002	Three Months ended September 30, 2001	Nine Months ended September 30, 2002	Nine Months ended September 30, 2001
	(Unaudited) Expressed in thousands of dollars			
Revenue	$ 68,522	$ 56,646	$209,361	$190,370
Profit before tax from operations	$ 2,785	$ 4,846	$ 6,237	$ 20,645
Net profit	$ 1,735	$ 2,864	$ 3,632	$ 12,030
Basic earnings per share	$ 0.14	$ 0.23	$ 0.29	$ 0.98
Diluted earnings per share	$ 0.14	$ 0.22	$ 0.28	$ 0.94

8. Stock Appreciation Rights Plan

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 value of 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 third quarter of 2002 was $1,735,000 or $0.14 per share, a decrease of 48% in net profit when compared to $3,334,000 or $0.27 per share in the third quarter of 2001. Revenue for the third quarter of 2002 was $68,522,000, an increase of 27% compared to revenue of $53,748,000 in the third quarter of 2001.

The results of the third quarter of 2002 reflected the continued weak business conditions. Expectations of reduced corporate earnings, rising unemployment, as well as a slowing economy have reinforced investors' reticence to make new commitments to the equity markets. These concerns, coupled with unremitting disclosures about corporate malfeasance, accounting fraud and arrests of corporate executives have, created an environment of lower stock prices. Valuations of corporate equities, while attractive, are not yet compelling. Popular averages are touching new lows around the globe. While a new recession is not expected, slower economic growth and reduced capital spending is expected to last through the first half of 2003. The Company's results for the quarter reflect the difficult environment.

Commission income and, to a large extent, income from principal transactions, depend on investor participation in the markets. Commission revenue increased by 28% in the third quarter of 2002 compared to the third quarter of 2001 as a result of the 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 19% compared to the third quarter of 2001 due to higher trading profits from fixed income securities as a result of lower interest rates and higher bond prices in the third quarter of 2002 compared to the same period in 2001. Investment banking revenues increased by 135% compared with the third quarter of 2001, related to increased participation in the issuance of closed-end funds and debt securities. Advisory fees increased by 9% in the third quarter of 2002 compared to the comparable period of 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) decreased by 4% in the third quarter of 2002 compared to the third quarter of 2001 as a result of lower interest rates, which more than offset the impact of somewhat higher customer balances after the recent acquisitions. Expenses increased by 37% in the third quarter of 2002 compared to the third 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 third quarter of 2002 compared to the third 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 57% in the third quarter of 2002 compared to the third 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 73% in the third quarter of 2002 compared to the third 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 September 30, 2002 of $1,042,119,000 increased by approximately 47% from $710,275,000 at December 31, 2001 due primarily to higher broker/dealer balances, specifically higher stock borrow/stock loan balances. Liquid assets accounted for 98% 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 an unsecured and on a fully collateralized basis. At September 30, 2002, $1,372,000 of such borrowings were outstanding, a decrease of 90% compared to outstanding borrowings at December 31, 2001. At September 30, 2002 the Company had available collateralized and uncollateralized letters of credit of $29,500,000.

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.

Pursuant to a Normal Course Issuer Bid, which commenced on July 9, 2002 and terminates on July 8, 2003, the Company may purchase up to 620,700 of its Class A non-voting shares through the facilities of the New York and Toronto Stock Exchanges. During the third quarter of 2002 the Company purchased a total of 67,300 Class A non-voting shares at an average price of $21.19 per share through the facilities of the New York Stock Exchange. The cumulative number of Class A non-voting shares purchased during the nine months ended September 30, 2002 pursuant to both the current normal course issuer bid as well as the normal course issuer bid which terminated on July 4, 2002 was 150,000 at an average price of $21.74. All shares purchased have been cancelled.

On February 22, 2002, May 17, 2002 and August 16, 2002, the Company paid cash dividends of U.S.$0.09 per Class A non-voting and Class B share totaling $3,387,000 from available cash on hand.

On October 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 November 22, 2002 to shareholders of record on November 8, 2002.

The book value of the Company's Class A non-voting and Class B shares is $19.62 at September 30, 2002 compared to $19.31 at September 30, 2001, an increase of 2%, based on total outstanding shares of 12,469,497 and 12,403,350, 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 September 30, 2002 filed with the United States Securities and Exchange Commission and available on the EDGAR website, filed in Canada and available 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 Securities Exchange Act of 1934, as amended (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 or the Company, (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 on Form 10-Q with the SEC is available upon request from either of the offices listed above or by email to the Investor Relations Contact — fvh@fahnestock.com.