

Lehman Brothers Securities N.V.

Financial Statements

November 30, 2003
with Report of Independent Auditors

LEHMAN BROTHERS SECURITIES N.V.

FINANCIAL STATEMENTS

YEAR ENDED NOVEMBER 30, 2003

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LEHMAN BROTHERS SECURITIES N.V.

BALANCE SHEET AS AT NOVEMBER 30, 2003

	<u>Nov. 30, 2003</u>
	USD
ASSETS	
Cash and due from banks on demand	102,220
Receivable from affiliated companies	17,011,958
Investment in options (cost USD 17,004,425)	17,050,756
TOTAL ASSETS	<u>34,164,934</u>

LEHMAN BROTHERS SECURITIES N.V.

BALANCE SHEET AS AT NOVEMBER 30, 2003

	<u>Nov. 30, 2003</u>
	USD
LIABILITIES AND SHAREHOLDERS' EQUITY	
LIABILITIES	
Payable to affiliated companies	16,993,076
Liabilities arising from selling warrants short (proceeds USD 17,004,425)	17,068,699
Accrued expenses and deferred income	103
Other liabilities	917
Total liabilities	<u>34,062,795</u>
SHAREHOLDERS' EQUITY	
Share capital (500 shares of USD 1,000 each)	500,000
Unpaid Capital	(400,000)
Retained earnings: Profit for the year	2,139
Total shareholders' equity	<u>102,139</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>34,164,934</u>

LEHMAN BROTHERS SECURITIES N.V.

PROFIT AND LOSS ACCOUNT FOR THE PERIOD
ENDED NOVEMBER 30, 2003
(October 31, 2003 to November 30, 2003)

	Nov . 30, 2003
	<u>USD</u>
OPERATING INCOME (LOSS)	
Revenues from affiliated companies	10,000
Loss from investments	(17,943)
Other income	12,528
Total operating income	<u>4,585</u>
OPERATING EXPENSES	
Interest and dividend expense	(2)
Administration expenses	(1,527)
Total operating expenses	<u>(1,529)</u>
Profit for the year before taxes	3,056
Taxes	(917)
PROFIT FOR THE YEAR	<u>2,139</u>

LEHMAN BROTHERS SECURITIES N.V.

**APPROPRIATION OF AVAILABLE EARNINGS
AS AT NOVEMBER 30, 2003
(proposed by the Board of Directors)**

	<u>Nov. 30, 2003</u>
	USD
Retained earnings carried forward	0
Profit for the year	2,139
Available earnings	<u>2,139</u>
 PROPOSED APPROPRIATION	
Balance to be carried forward	<u>2,139</u>

LEHMAN BROTHERS SECURITIES N.V.

STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED NOVEMBER 30, 2003
(October 31, 2003 to November 30, 2003)

	<u>Nov. 30, 2003</u>
	USD
Cash flow from operating activities	
Profit for the year	2,139
Increase (decrease) in operating assets:	
Receivable from affiliated companies	(17,011,958)
Investments in options	<u>(17,050,756)</u>
Net decrease in operating assets	<u>(34,062,714)</u>
Increase (decrease) in operating liabilities:	
Payable to affiliated companies	16,993,076
Liabilities arising from selling securities short-warrants	17,068,699
Accrued expenses and deferred income	103
Other liabilities	<u>917</u>
Net increase in operating liabilities	<u>34,062,795</u>
Net cash provided by operating activities	2,220
Cash flow from financing activities	
Proceeds from issuance of shares	<u>100,000</u>
Net cash provided by financing activities	<u>100,000</u>
Net increase in cash and cash equivalents	102,220
Net cash and cash equivalents, beginning of the period	<u>0</u>
Net cash and cash equivalents, end of the period	<u><u>102,220</u></u>
Supplemental disclosure of cash flow information	
Cash paid during the period for interest, taxes and dividends	<u>0</u>

LEHMAN BROTHERS SECURITIES N.V.

**SCHEDULE OF INVESTMENTS
YEAR ENDED NOVEMBER 30, 2003**

<u>Amount</u>	<u>Value</u>	<u>Equity</u>
Options		
OTC Options		
Netherlands Antilles		
Financial Services		
Lehman Brothers Finance		
NA Branch		
	<u>17,050,756</u>	<u>16609.400%</u>
Total investment in options (cost USD 17,004,425)	<u><u>17,050,756</u></u>	<u><u>16609.400%</u></u>
Warrants		
Warrants on Equities		
Netherlands Antilles		
Financial Services		
Lehman Brothers Securities N.V.	<u>(17,068,699)</u>	<u>16701.100%</u>
Total liabilities arising from selling securities short - warrants (proceeds USD 17,004,425)	<u><u>(17,068,699)</u></u>	<u><u>16701.100%</u></u>

LEHMAN BROTHERS SECURITIES N.V.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED NOVEMBER 30, 2003**

1. ACTIVITY OF THE COMPANY

Lehman Brothers Securities N.V. (the "Company") was established in the Netherlands Antilles on October 31, 2003. The Company is a wholly owned subsidiary of Lehman Brothers Asia Holdings Ltd.

The objective of the Company is the structuring and issuing of derivative products linked to equity securities with the purpose to obtain a return on investments.

2. SIGNIFICANT ACCOUNTING POLICIES

General

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The following is a summary of the significant accounting and reporting policies used in preparing the financial statements.

Functional currency

The Company maintains its accounting records in US Dollars (USD).

Foreign currency transactions

Foreign assets and liabilities are translated into the functional currency at the rates of exchange prevailing at the balance sheet date and the transactions of the period at the average rate of the year. Exchange gains or losses are included in the profit and loss account.

LEHMAN BROTHERS SECURITIES N.V.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED NOVEMBER 30, 2003**

The Company does not isolate that portion of gains and losses on investments which is due to changes in foreign exchange rates from that which is due to changes in foreign exchange rates from that which is due to changes in market prices of the investments. Such fluctuations are included in the net gains and losses from investments.

Valuation of trading positions

Stocks and debt instruments are marked to market value.

Derivative transactions entered into are marked to market or valued at fair value with realised and unrealised gains and losses recognised in "income from investments".

Market or fair value for trading related financial instruments and associated hedge transactions is determined by either quoted market prices (for exchange traded futures, options and warrants) or pricing models (for OTC - over-the-counter - forwards, options and swaps).

Pricing models utilise a series of market inputs taking into consideration the current value, the volatility and the dividend yield of the underlying securities, the currency interest rate and the time to expire, with adjustments, as required for credit and liquidity risk. Further valuation adjustment may be deemed appropriate for new or complex financial instruments or for financial instruments with significant risk of concentration. These adjustments are integral components of the mark-to-market process.

Fair value is either determined on Internal valuation pricing models which take into account time value and volatility factors underlying the financial instruments, or management's estimate of the amounts that could be realised under current market conditions, assuming an orderly liquidation over a reasonable period of time.

Derivatives with affiliates are valued at the market of fair value. Realised and unrealised gains or losses are booked to the profit and loss account in "income from investments".

LEHMAN BROTHERS SECURITIES N.V.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED NOVEMBER 30, 2003

Short sales

The Company may sell a security it does not own in anticipation of a decline in the fair value of that security. When the Company sells a security short, it must borrow the security sold short and deliver it to the dealer through which it made the short sale. A gain, limited to the price at which the Company sold the security short, or a loss, unlimited in size, will be recognized upon the termination of a short sale.

Recognition of income and expenses

Investment transactions are accounted on a trade date basis. Income and expenses are accounted for in the period to which they relate. Unrealised gains and losses arising on positions are recognised immediately in the profit and loss account.

Income taxes

Income taxes are provided on all income reported to the balance sheet date on which income taxes will ultimately be assessed. The Company is subject to the local on-shore income tax rate of 34.5%.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United states of America requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

LEHMAN BROTHERS SECURITIES N.V.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED NOVEMBER 30, 2003**

3. SHARE CAPITAL

The Company's authorized capital consists of 500 shares each having a par value of USD 1,000. As at November 30, 2003, 100 shares were issued and paid-in.

4. INCOME (LOSS) FROM INVESTMENTS

Income (loss) from investments consists of the following:

Unrealised gain (loss) on options	46,331
Unrealised gain (loss) on warrants	<u>(64,274)</u>
	<u>(17,943)</u>

5. DERIVATIVE FINANCIAL INSTRUMENTS

In the normal course of business, the Company enters into transactions involving derivative financial instruments in connection with its investing activities. These instruments are subject to various risks similar to non-derivative instruments, including market, credit, liquidity, and operational risks. The Company manages these risks on an aggregate basis along with the risks associated with its investing activities as part of its overall risk management policies, and as such does not distinguish derivative profit or loss from any other category of investments for income presentation purposes.

6. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

Securities sold, but not yet purchased represent obligations of the Company to purchase the security in the market at prevailing prices to the extent that the Company does not already have the securities in possession. Accordingly, these transactions result in off-balance sheet risk as the Company's satisfaction of the obligations may exceed the amount recognized in the statement of assets and liabilities.

LEHMAN BROTHERS SECURITIES N.V.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED NOVEMBER 30, 2003**

7. RELATED PARTY TRANSACTIONS

As at November 30, 2003, the Company has USD 17,068,699 of Liabilities arising from selling warrants short of which the related positions for the amount of USD 17,068,699 are held by Lehman Brothers Holding Inc. and other subsidiaries.

**8. GUARANTEE ISSUED BY LEHMAN BROTHERS HOLDING INC.,
DELAWARE**

Lehman Brothers Holding Inc., Delaware has unconditionally and irrevocably guaranteed Lehman Brothers Securities N.V. payment obligations arising from warrants and certificates issued by the Company under the warrant master agreement dated as of November 25, 2003.