

2003 Midyear Report

Guidance
Trust
Loyalty



We are pleased to continue one of our valued traditions, presenting our Davidson Companies midyear statement. Although we have simplified and reduced the size of the statement this year, we continue to believe in the importance of communicating with you, our valued clients and business partners.

Moving into the second half of 2003, we are pleased to report that even in these difficult times, our financial condition remains strong and stable. Our financial ratios remain well above average in the securities industry, with our net capital-to-debt ratio stronger than a year ago and excess regulatory capital of \$28.6 million. We have emphasized cost discipline as a priority and the result of that effort will be the strengthening of Davidson Companies' financial position for years to come.

We continue to invest in the prudent growth of our businesses and in the services and products that allow us to better serve your individual needs. We are pleased with the opportunities and progress made in the Fixed Income Capital Markets business of D.A. Davidson & Co., supported by the addition of key professionals in our West Coast offices. Under the direction of Kreg Jones, the fixed income group has enjoyed a remarkable year and has worked proactively to meet increasing demand. Our financial consultants have continued their focus and efforts toward personal contact, emphasizing the importance of diversification, sound portfolio construction and independent research.

At Davidson Trust Co., a major initiative has been the streamlining and consolidation of administrative functions, allowing trust officers to focus on client relationships. The company continues to grow its personal trust and estate planning services to meet the needs of each client, demonstrating our belief that trust is much more than a legal term.

Davidson Investment Advisors has sustained its growth because the market environment has underscored a need for the guidance of

Vinney Purpura,
President and
Chief Executive
Officer,
DAVIDSON
COMPANIES



professional investment managers. The company is increasing its focus toward marketing its investment strategies to new clients, specifically to our institutional accounts.

At Davidson Travel, our consultants have built upon market share even as fears about the war in Iraq and SARS have kept many travelers close to home. The agency has focused on plans for enhancing its methods of interacting with clients and anticipating client needs.

For a third year, geopolitical uncertainty, economic weakness and a loss of investor confidence have converged to increase market volatility. Nonetheless, we at Davidson Companies strongly believe in the long-term viability of American business, our economy and our markets. We believe this is the ideal time to invest in quality securities for the long term. And we will continue to invest in our businesses. We remain committed to our strategy of giving you, our clients, the best in personalized and professional service.

We thank you for your relationship with Davidson Companies, and look forward to continuing to provide you with the professional services that can help you reach your own financial goals.

A handwritten signature in black ink that reads "Vinney Purpura". The signature is written in a cursive, flowing style.

DAVIDSON COMPANIES

Consolidated Statement of Financial Condition

unaudited, as of March 28, 2003

Assets	Liabilities and Stockholders' Equity
Cash:	Liabilities:
Cash and Cash Equivalents \$ 12,323,198	Unsecured Loans \$ 13,689,225
Receivables:	Secured Loans 6,600,000
Clients 91,929,480	Total 20,289,225
Brokers, Dealers and	Payables:
Clearing Organizations 10,901,664	Clients 27,362,011
Related Parties 462,220	Brokers, Dealers and
Other 3,798,809	Clearing Organizations 13,580,084
Total 107,092,173	Related Parties 32,857
Firm Securities at Market Value:	Market Value of Securities Sold
Municipal Bonds 11,828,536	But Not Yet Purchased 18,148,502
Corporate Bonds 1,444,185	Other Payables and Accrued Liabilities 28,600,388
Common and Preferred Stock 5,767,671	Total 87,723,842
Options 4,848,969	
Total 23,889,361	Stockholders' Equity:
Other Assets:	Comprised of 8,280,305 Issued
Investments 4,384,000	and Outstanding Shares
Exchange Memberships at Cost 165,450	of Common Stock
Equipment and Leasehold Improvements	and Retained Earnings 68,686,529
Less Depreciation and Amortization 8,434,100	
Cash Surrender Value - Life Insurance 694,880	
Notes Receivable 7,816,633	
Goodwill 2,395,337	
Other Assets 3,579,501	
Deferred Tax Asset 5,924,963	
Total 33,394,864	
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Total Assets \$ 176,699,596	Total Liabilities and
	Stockholders' Equity \$ 176,699,596
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The broker-dealer subsidiary, D.A. Davidson & Co. (the Company), is subject to the Uniform Net Capital Rule (15c3-1) pursuant to the Securities Exchange Act of 1934. Under the Alternate Requirement, the Company is required to maintain a Net Capital amount in excess of two percent of the combined aggregate debit balances arising from customers' transactions as defined in the Formula for Reserve Requirements under SEC Rule 15c3-3. At March 28, 2003, the Company's Net Capital of \$30,378,621 was 33.45 percent of aggregate debit balances. Its Net Capital exceeded the required capital of \$1,816,181 by \$28,562,440. The Statement of Financial Condition of the most recent annual audit report pursuant to Rule 17a-5 of the Securities Exchange Act of 1934 is available for examination at the principal office of the Company and the regional office of the Securities and Exchange Commission in Los Angeles, California. The Statement of Financial Condition of D.A. Davidson & Co. as of March 28, 2003 may be obtained free of charge by visiting our Web site at www.davidsoncompanies.com, by calling 1-800-332-5915 or by contacting your financial consultant.