



TO OUR FRIENDS & SHAREHOLDERS

Throughout Baird's 80-year history, we've thrived on change. The faster the world changes, the more important it is for us, we believe, to continuously improve our expertise, strengthen our teamwork and maintain close client relationships so that we can provide the best financial advice. During 1999, we committed significant resources to strengthen our capabilities throughout Baird, in order to continue to bring a powerful perspective to the financial advice we deliver to our clients.

Our client-focused approach resulted in record activity in 1999, as assets under custody climbed to \$42 billion and we completed equity, debt, and merger and acquisition transactions totaling \$20 billion. Robert W. Baird & Co. closed the books on the Twentieth Century with record revenues of \$554 million, up 16% from 1998. Net income totaled \$40 million, a 10% increase from the previous year and our second best year on record. Our net income represents an 18% return on beginning equity.

Once again, the balance in our businesses contributed to our strong results. Our Private Client Group, the Northwestern Mutual/Baird Program and Baird Investment Management each posted record revenues, and our Capital Markets Group reported a strong year, led by record merger and acquisition advisory services. Each of these four core business groups recorded significantly profitable years.

During 1999 we undertook a number of strategic initiatives that will benefit our clients and enhance our ability to deliver services to them for years to come.

Our acquisition of Granville plc of London, now operating as Granville Baird, for example, brings transatlantic investment banking capabilities to our clients. The acquisition, completed in November, is a strong strategic fit, both in our major lines of business and in the industry sectors we target to serve middle-market growth companies. With the globalization of the economy, we're better positioned to advise US and European clients on cross-border transactions. Equally important, Baird and Granville have similar corporate cultures in terms of how we conduct business and value our clients.

We also are making a significant investment in technology, which we view as an important tool in strengthening our advisory relationship with clients. The benefits of these efforts will be enjoyed later this year as we roll out a comprehensive wealth management program for individualized financial planning and asset allocation and an exciting new Web site with extensive features for clients.

The new year marked a transition in Baird leadership, as Fred Kasten, who has led Baird since 1979, passed on the Chief Executive Officer role to President Paul Purcell. While our titles have changed, the powerful partnership we have forged over the past six years is continuing with Fred playing an active role as Chairman.

Although our industry is rapidly changing, we welcome the changes and challenges ahead. We are confident that Baird is well positioned to succeed because of our culture, our strong partnerships with our clients and our talented team of professionals. The perspective we provide will grow in importance as the financial world increases in complexity.



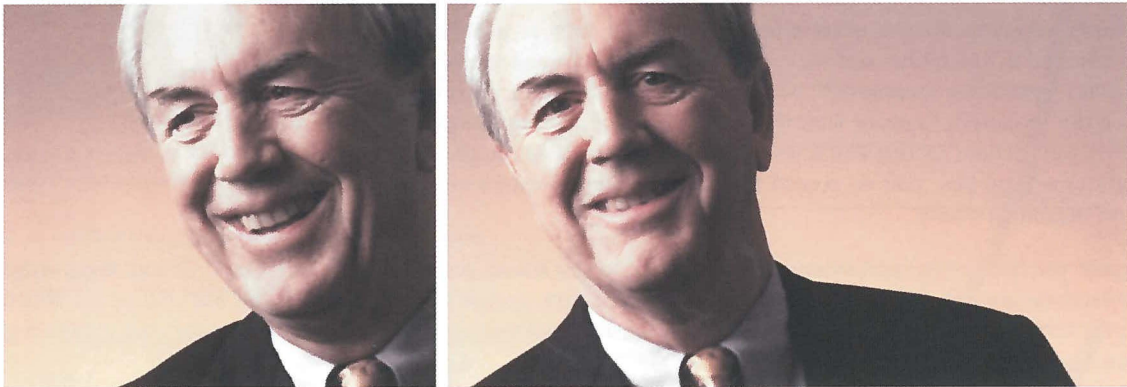
President Paul Purcell (left) succeeded Chairman Fred Kasten as Chief Executive Officer at the beginning of 2000.

G. Frederick Kasten, Jr.
Chairman

Paul E. Purcell
President and Chief Executive Officer

TRIBUTE TO FRED KASTEN

As Robert W. Baird & Co. enters the new millennium, we salute the man who so capably guided us the past two decades. Fred Kasten, who became President in 1979 and Chief Executive Officer in 1983, has led Baird through a period of outstanding growth and even more remarkable stability and balance in the face of volatile markets and dramatic industry changes. On January 1, 2000, Fred passed on the CEO role to Paul Purcell, who has served two years as President and brings 28 years of industry experience to his new position. Fred will remain actively involved in leading Baird as Chairman for several years, but we didn't want to miss this opportunity to recognize his already outstanding accomplishments.



Among the many milestones, Northwestern Mutual Life Insurance Company's acquisition of a majority interest in 1982 clearly stands out. Northwestern Mutual and Baird share a common business philosophy and commitment to excellence. Throughout his tenure as CEO, Fred has focused on continuously improving Baird's capabilities and creating an environment in which teamwork thrived, to the benefit of Baird's clients. He has been adamant about not setting short-term financial goals, emphasizing that Baird's growth and profitability would reflect the value of our services, as perceived by clients. The charts on the accompanying page illustrate the success of that strategy: a growth rate surpassing the industry's and a significantly higher return on Baird stock. A couple of other statistics reveal even more about Fred's steady hand at the helm:

- Baird has experienced only one month with a loss since 1980, during the stock market crash of October 1987.
- Since 1980, employment has grown every year, in sharp contrast to periodic industry layoffs.

As CEO, Fred has set the standard for how Baird conducts business – from his focus on integrity and putting clients' interests first to his emphasis on crediting associates for the firm's success. He has protected and promoted the Baird culture, and he has managed with grace. All of us at Baird thank him for his strong leadership and his friendship.

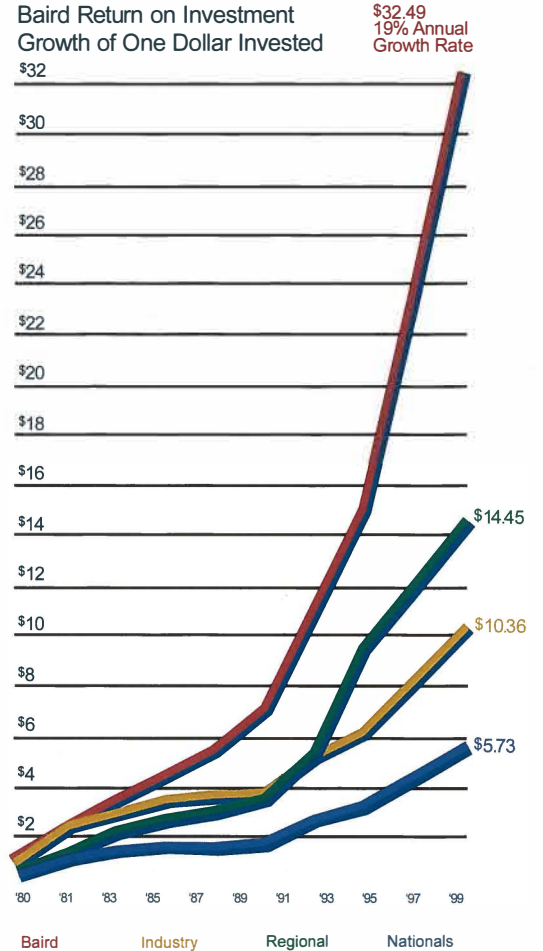
TO BAIRD CLIENTS AND ASSOCIATES

As I pass on the role of Chief Executive Officer, I am excited for the future of Baird and extremely proud of what we have accomplished together over the last two decades. To all the clients we have served, I extend my gratitude to you for the trust you've placed in us. To all my associates at Baird, I commend you for how you have helped our clients meet their financial goals. Together, we have succeeded beyond my wildest expectations.

It is with great confidence that I pass the CEO responsibilities into Paul Purcell's very capable hands. Paul's leadership and values have already contributed mightily to Baird's success, and his vision ensures a strong future. I can also say with confidence that Baird's culture and capabilities are stronger today than they have ever been, because of the dedication and professionalism of all my associates. I thank them for making Baird what it is today and for making me so proud to say, "I'm a Baird associate."

As Chairman, I look forward to several more years on the Baird team. As exciting and rewarding as the past 20 years have been, I trust that the future is even brighter.

Fred Kasten



Baird's Growth Since January 1, 1980

| | INDUSTRY REVENUES | REVENUES | ASSOCIATES | PRIVATE CLIENT OFFICES | STOCKHOLDERS' EQUITY | PRIVATE CLIENT FINANCIAL ADVISORS | PRIVATE CLIENT GROUP REVENUES | CAPITAL MARKETS GROUP REVENUES |
|-----------------------------|-------------------|----------|------------|------------------------|----------------------|-----------------------------------|-------------------------------|--------------------------------|
| 1980 | \$16 | \$32 | 381 | 18 | \$11 | 112 | \$17 | \$10 |
| 1999 | \$183 | \$554 | 2,333 | 78 | \$265 | 721 | \$263 | \$123 |
| Compound Annual Growth Rate | 14% | 16% | 10% | 8% | 18% | 10% | 16% | 14% |
| | BILLIONS | | | | | | | |

DOLLAR AMOUNT IN MILLIONS.

All amounts are for Robert W. Baird & Co. Incorporated except number of associates, which includes Granville Baird.