



# SWISSQUOTE

INTERIM REPORT - 30 JUNE 2003

## CONSOLIDATED INTERIM BALANCE SHEET

ALL AMOUNTS IN SWISS FRANCS

	Notes	30 June		31 December
		2003	2002	2002
<b>ASSETS</b>				
Cash and balances with central bank		7,654,152	2,132,862	6,987,766
Due from other banks		275,017,654	104,480,227	205,982,154
Derivatives financial instruments		221,464	-	123,169
Loans and advances to customers		10,290,367	-	7,792,731
Receivables and prepayments		1,773,783	2,513,248	1,707,482
Investment security held to maturity		5,368,648	-	3,239,627
Work in progress		-	173,792	-
Goodwill		3,400,000	-	3,800,000
Property, plant and equipment	3	5,911,327	6,755,970	5,604,923
Other long term assets		487,164	960,682	342,120
Deferred tax assets, net		611,431	1,188,940	614,704
<b>Total assets</b>		<b>310,735,990</b>	<b>118,205,721</b>	<b>236,194,676</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Liabilities</b>				
Due to other banks		1,567,358	325,565	100,004
Derivatives financial instruments		221,464	-	123,169
Due to customers		258,011,812	61,297,380	176,736,541
Trade and other payables		5,945,469	4,742,710	8,869,664
Pension obligation		900,000	-	900,000
Restructuring provision		1,492,955	2,283,000	6,460,098
<b>Total liabilities</b>		<b>268,139,058</b>	<b>68,648,655</b>	<b>193,189,476</b>
<b>Minority interest</b>		<b>7,342,537</b>	<b>9,230,897</b>	<b>7,581,337</b>
<b>Equity</b>				
Ordinary shares	4	13,760,300	13,760,300	13,760,300
Share premium and reserves		61,630,127	62,125,044	61,630,127
Treasury shares	4.3	(2,647,000)	(1,593,516)	(2,154,376)
Accumulated losses		(37,489,032)	(33,965,659)	(37,812,188)
<b>Total equity</b>		<b>35,254,395</b>	<b>40,326,169</b>	<b>35,423,863</b>
<b>Total liabilities and equity</b>		<b>310,735,990</b>	<b>118,205,721</b>	<b>236,194,676</b>

## CONSOLIDATED INTERIM STATEMENT OF OPERATIONS

	Notes	6 months ended 30 June	
		2003	2002
<b>CONTINUED OPERATIONS</b>			
Fee and commission income		11,344,061	3,838,703
Fee and commission expenses		(1,284,653)	(400,104)
<b>Net fee and commission income</b>		<b>10,059,408</b>	<b>3,438,599</b>
Interest income		987,729	708,788
Interest expense		(251,838)	(148,440)
<b>Net interest income</b>		<b>735,891</b>	<b>560,348</b>
Net trading income		491,154	109,257
Other operating income		678,386	750,714
<b>Operating income</b>		<b>11,964,839</b>	<b>4,858,918</b>
<b>Operating expenses</b>			
Operating expenses	1	(10,909,121)	(9,202,616)
Restructuring charge		-	(4,500,000)
Total operating expenses before depreciation, amortisation and provisions		(10,909,121)	(13,702,616)
<b>Operating profit (loss) before depreciation, amortisation and provisions</b>		<b>1,055,718</b>	<b>(8,843,698)</b>
<b>Depreciation, amortisation and provisions:</b>			
Depreciation		(1,600,000)	(1,085,000)
Restructuring		-	(3,000,000)
<b>Loss from continued operating activities</b>		<b>(544,282)</b>	<b>(12,928,698)</b>
<b>DISCONTINUED OPERATIONS</b>			
Revenues		-	1,530,901
Operating expenses		-	(3,205,521)
Depreciation		-	(365,000)
Result on sale of subsidiary		-	(150,500)
<b>Loss from discontinued operating activities</b>		<b>-</b>	<b>(2,190,120)</b>
<b>Total loss from continued and discontinued operating activities</b>		<b>(544,282)</b>	<b>(15,118,818)</b>
Minority interest		238,800	4,050,546
<b>Net loss</b>		<b>(305,482)</b>	<b>(11,068,272)</b>
<i>Loss per share</i>	2	<i>(0.24)</i>	<i>(8.35)</i>

CONSOLIDATED INTERIM CHANGES IN SHAREHOLDERS' EQUITY

ALL AMOUNTS IN SWISS FRANCS

	Share capital	Share premium & reserves	Treasury shares	Accumulated losses	Total
<b>Balance at 1 January 2002</b>	<b>13,760,300</b>	<b>62,125,044</b>	<b>(527,727)</b>	<b>(22,191,390)</b>	<b>53,166,227</b>
Net changes in treasury shares	-	-	(1,065,789)	(705,997)	(1,771,786)
Net loss of the period	-	-	-	(11,068,272)	(11,068,272)
<b>Balance at 30 June 2002</b>	<b>13,760,300</b>	<b>62,125,044</b>	<b>(1,593,516)</b>	<b>(33,965,659)</b>	<b>40,326,169</b>
<b>Balance at 1 January 2003</b>	<b>13,760,300</b>	<b>61,630,127</b>	<b>(2,154,376)</b>	<b>(37,812,188)</b>	<b>35,423,863</b>
Net changes in treasury shares	-	-	(492,624)	628,638	136,014
Net loss of the period	-	-	-	(305,482)	(305,482)
<b>Balance at 30 June 2003</b>	<b>13,760,300</b>	<b>61,630,127</b>	<b>(2,647,000)</b>	<b>(37,489,032)</b>	<b>35,254,395</b>

## CONSOLIDATED INTERIM CONDENSED CASH FLOW STATEMENT

	6 months ended 30 June	
	2003	2002
<b>Cash flow from operating activities</b>		
Ordinary	74,717,109	(6,739,818)
Restructuring and discontinued operations	(4,967,143)	(2,217,000)
<b>Net cash from (used in) operating activities</b>	<b>69,749,966</b>	<b>(8,956,818)</b>
<b>Cash flow from investing activities</b>		
Purchase of property, plant and equipment	(1,506,404)	(680,793)
Change in Other long term assets	(145,044)	3,143
Treasury shares	136,014	(1,771,786)
<b>Net cash used in investing activities</b>	<b>(1,515,434)</b>	<b>(2,449,436)</b>
<b>INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>68,234,532</b>	<b>(11,406,254)</b>
<b>Movements in cash and cash equivalents</b>		
At beginning of year	212,869,916	117,693,778
Increase / (decrease)	68,234,532	(11,406,254)
<b>At 30 June</b>	<b>281,104,448</b>	<b>106,287,524</b>
<b>Cash and cash equivalents</b>		
Cash and balances with central bank	7,654,152	2,132,862
Due from other banks	275,017,654	104,480,227
Due to other banks	(1,567,358)	(325,565)
<b>Total at 30 June</b>	<b>281,104,448</b>	<b>106,287,524</b>

## ACCOUNTING POLICIES

The consolidated interim financial statements are prepared in accordance with IAS 34 Interim Financial Reporting. The accounting policies used in the preparation of the interim consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2002.

Costs that incur unevenly during the financial year are anticipated or deferred in the interim report only if it would be appropriate to anticipate or defer such costs at the end of the financial year.

The consolidated financial statements should be read in conjunction with the 2002 annual consolidated financial statements.

On 6 May 2003, Swissquote Group Holding Ltd fully subscribed and paid in CHF 7.5 mio additional equity into Swissquote Bank in the context of a financial reorganization resolved by the shareholders of the Bank on the same date. As a result, Swissquote Group Holding Ltd's interest in Swissquote Bank rose from 70.6% to 79.42%. The remaining 20.58 % interest in Swissquote Bank was owned since 6 May 2003 by Aktiengesellschaft Assuricum, a Group company of Zurich Financial Services. On 23 July 2003, Swissquote Group Holding Ltd acquired the remaining minority interest in Swissquote Bank (Note 6).

ALL AMOUNTS IN SWISS FRANCS

## NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 1. Operating Expenses

	6 months ended 30 June	
	2003	2002
Payroll & related expenses	5,189,674	4,427,179
Production expenses	1,914,015	1,737,473
Marketing expenses	1,388,238	1,563,309
Administration and other operating expenses	2,417,194	1,475,154
<b>Total</b>	<b>10,909,121</b>	<b>9,202,616</b>

### 2. Loss per Share

Basic loss per share is calculated by dividing the net loss attributable to shareholders by the weighted average number of ordinary shares in issue (excluding treasury shares) during the period.

	6 months ended 30 June	
	2003	2002
Net loss	(305,482)	(11,068,272)
Weighted average number of ordinary shares in issue	1,284,211	1,326,218
<b>Basic loss per share</b>	<b>(0.24)</b>	<b>(8.35)</b>

In accordance with IAS 33, no diluted earning per share is disclosed when the Group posts a loss. Using the conditional share capital in the diluted loss per share calculation would result in an anti-dilution.

## NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

ALL AMOUNTS IN SWISS FRANCS

### 3. Property, Plant and Equipment

	IT systems	Others	Total
<b>6 months ended 30 June 2002</b>			
Opening net book amount (1.1.2002)	7,704,612	2,810,565	10,515,177
Addition	680,793	-	680,793
Depreciation	(1,340,000)	(100,000)	(1,440,000)
Write-offs (restructuring)	(439,435)	(2,560,565)	(3,000,000)
Closing net book amount (30.6.2002)	6,605,970	150,000	6,755,970
<b>6 months ended 30 June 2003</b>			
Opening net book amount (1.1.2003)	4,607,252	997,671	5,604,923
Addition	1,185,731	320,673	1,506,404
Depreciation	(1,159,619)	(40,381)	(1,200,000)
Closing net book amount (30.6.2003)	4,633,364	1,277,963	5,911,327

Additions to Property, Plant and Equipment include an amount of CHF 0.2 mio (2002: CHF 0.2 mio) representing own costs capitalized in connection with the development of the systems of the Bank.

### 4. Equity

#### 4.1 Structure of Capital

<i>Number of shares</i>	Ordinary Shares Issued	Shares For Stock Option Plan	Shares For Authorized Capital	Total Shares Issued and Unissued
<b>At 1 January 2002</b>	<b>1,376,030</b>	<b>93,970</b>	<b>50,000</b>	<b>1,520,000</b>
Reduction of the conditional capital and suppression of the authorised capital further to the resolution of the AGM on 18 April 2002	-	(53,970)	(50,000)	(103,970)
<b>At 30 June 2002</b>	<b>1,376,030</b>	<b>40,000</b>	-	<b>1,416,030</b>
<b>At 1 January 2003</b>	<b>1,376,030</b>	<b>40,000</b>	-	<b>1,416,030</b>
<b>At 30 June 2003</b>	<b>1,376,030</b>	<b>40,000</b>	-	<b>1,416,030</b>



## NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 4.2 Information on Stock Options

	2nd Allocation	3rd Allocation	4th Allocation	5rd Allocation	Total	Conditional shares available for exercise
<b>Balance at 1 January 2002</b>	<b>6,605</b>	<b>22,456</b>	-	-	<b>29,061</b>	<b>93,970</b>
Reduction of the number of conditional shares as per the resolution of the AGM on 18 April 2002						(53,970)
Grants	-	-	48,000	15,300	63,300	
Exercise	-	-	-	-	-	
Lapsed	(458)	(7,012)	-	-	(7,470)	
<b>Balance at 30 June 2002</b>	<b>6,147</b>	<b>15,444</b>	<b>48,000</b>	<b>15,300</b>	<b>84,891</b>	
<b>Balance at 1 January 2003</b>	-	<b>14,524</b>	<b>48,000</b>	<b>20,300</b>	<b>82,824</b>	<b>40,000</b>
Grants	-	-	-	-	-	
Exercise	-	-	-	-	-	
Lapsed	-	(992)	-	-	(992)	
<b>Balance at 30 June 2003</b>	-	<b>13,532</b>	<b>48,000</b>	<b>20,300</b>	<b>81,832</b>	<b>(81,832)</b>
<i>Short covering of options granted at 30 June 2003 measured on conditional shares available</i>						<i>(41,832)</i>

At 30 June 2003, the short covering of granted options is covered by the Treasury shares (Note 4.3).

### 4.3 Treasury Shares

Treasury shares at 30 June 2003 consist of 85,113 shares valued at the closing price on that date. The following transactions took place in the period from 1 January to 30 June 2003: the acquisition of 3,851 shares at a unit price ranging from CHF 17.52 to CHF 32.21 (average cost of CHF 24.60 per share), and the disposal of 9,258 shares at a unit price ranging from CHF 16.23 to CHF 32.28 (average net price per share of CHF 24.96).

**5. Swissquote Bank**

Swissquote Bank is a bank construed under Swiss Law and is submitted to Swiss regulatory authority represented by the Federal Banking Commission.

The purpose of Swissquote Bank is to offer to the public services that enable investors to independently manage their trading and saving needs via the Internet.

Services offered are as follows :

- Trading on securities listed on SWX
- Trading on securities listed on virt-x (some 400 European blue-chips listed in Euro and Swiss Franc)
- Trading on securities listed on the US equity markets (NYSE / NASDAQ / AMEX)
- Trading on securities listed on Xetra and Euronext
- Foreign exchange spot transactions in US Dollar, Euro and Swiss Franc
- Distribution of investment funds managed by reputable fund managers (Fund Shop)
- The offering of time deposits and lombard loans.

Total assets deposited by Swissquote Bank's customers amounted to CHF 1,120.0 mio at 30 June 2003 (31 December 2002: CHF 732.8 mio), of which CHF 258.0 mio (CHF 176.7 mio) in cash and CHF 862.0 mio (CHF 556.1 mio) in securities.

Being a majority owned subsidiary of Swissquote Group Holding Ltd, Swissquote Bank is consolidated in the consolidated financial statements of Swissquote Group Holding Ltd and its subsidiaries, which are prepared in accordance to International Accounting Standards.

As a matter of information, the interim non-audited balance sheet presented hereafter derives from the interim non-audited balance sheet of Swissquote Bank at 30 June 2003 prepared in accordance with the guidelines of the Bank Ordinance (FBC-BAG).

## NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### Swissquote Bank : Non-Audited Balance Sheet at 30 June 2003

ASSETS	30 June		LIABILITIES AND EQUITY	30 June	
	2003	2002		2003	2002
<b>Current assets</b>			<b>Liabilities</b>		
Cash and balances with central bank	7,610,893	2,123,386	Due to other banks	1,567,358	325,565
Due from other banks	262,474,146	71,008,666	Due to customers	258,011,812	61,297,380
Due from customers	10,396,867	74,142	Trade payable and accrued liabilities		
Other short-term assets	1,560,533	761,944	- Third parties	6,757,737	3,758,503
			- Group companies	3,594,197	1,286,861
			Balance restructuring provision	2,128,373	-
	282,042,439	73,968,138		272,059,477	66,668,309
<b>Non-current assets</b>			<b>Equity</b>		
Property, plant and equipment, net	9,852,513	9,747,408	Share-capital	25,000,002	25,000,000
Investment security held to maturity	5,368,648	931,119	General reserve	-	5,575,209
Funding and start-up costs	-	3,647,515	Accumulated losses beginning of year	(1,024,695)	-
Other non-current assets	123,710	-	Result of financial reorganisation (1)	1,835,695	-
			Loss for the 6 months period	(435,000)	(8,949,338)
	15,344,871	14,326,042		25,327,833	21,625,871
<b>Total</b>	<b>297,387,310</b>	<b>88,294,180</b>	<b>Total</b>	<b>297,387,310</b>	<b>88,294,180</b>

(\*1) On 6 May the Bank carried out a financial reorganisation consisting of a capital reduction of CHF 7.5 mio, with a simultaneous increase of the same amount. At this occasion, the Bank wrote-off CHF 3.5 mio goodwill and created a provision for risks of CHF 2.1 mio.

### 6. Subsequent Event

On 23 July 2003, Swissquote Group Holding Ltd acquired the 28.58 % interest of Aktiengesellschaft Assuricum in Swissquote Bank, and since that date owns 100% of the share-capital and voting rights of Swissquote Bank. As a result of this transaction the Joint Venture Agreement between Swissquote Group Holding Ltd and Aktiengesellschaft Assuricum (formerly with Rüd Blass) is terminated and the calls and puts the parties granted to each other lapsed.