



SWISSQUOTE

INTERIM REPORT - 30 September 2003

CONSOLIDATED INTERIM BALANCE SHEET

ALL AMOUNTS IN SWISS FRANCS

	Notes	30 September		31 December
		2003	2002	2002
ASSETS				
Cash and balances with central bank		33,761,907	19,556,885	6,987,766
Due from other banks		262,636,077	90,987,006	205,982,154
Derivatives financial instruments		301,740	-	123,169
Loans and advances to customers		17,587,076	1,418,593	7,792,731
Receivables and prepayments		2,143,621	1,699,307	1,707,482
Investment security held to maturity		5,325,413	931,119	3,239,627
Goodwill		3,200,000	-	3,800,000
Property, plant and equipment	3	5,141,655	5,644,756	5,604,923
Other long term assets		487,163	334,910	342,120
Deferred tax assets, net		614,704	1,188,940	614,704
Total assets		331,199,356	121,761,516	236,194,676
LIABILITIES AND EQUITY				
Liabilities				
Due to other banks		273,010	2,240	100,004
Derivatives financial instruments		301,740	-	123,169
Due to customers		278,450,307	69,526,172	176,736,541
Trade and other payables		7,673,151	4,548,225	8,869,664
Pension obligation		366,512	-	900,000
Provisions		2,783,219	1,550,679	6,460,098
Total liabilities		289,847,939	75,627,316	193,189,476
Minority interest	5	-	8,313,392	7,581,337
Equity				
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	(1,627,968)	(1,262,814)	(2,154,376)
Accumulated losses		(32,411,042)	(36,801,722)	(37,812,188)
Total equity		41,351,417	37,820,808	35,423,863
Total liabilities and equity		331,199,356	121,761,516	236,194,676

CONSOLIDATED INTERIM STATEMENT OF OPERATIONS

ALL AMOUNTS IN SWISS FRANCS

		9 months ended 30 September	
	Notes	2003	2002
CONTINUED OPERATIONS			
Fee and commission income		19,945,446	6,228,536
Fee and commission expenses		(2,187,022)	(550,496)
Net fee and commission income		17,758,424	5,678,040
Interest income		1,487,750	910,717
Interest expense		(362,978)	(199,075)
Net interest income		1,124,772	711,642
Net trading income		887,818	22,864
Other operating income		1,043,150	1,051,746
Operating income		20,814,164	7,464,292
Operating expenses			
Operating expenses	1	(16,871,799)	(14,029,876)
Restructuring charge		-	(4,500,000)
Total operating expenses before depreciation, amortisation and provisions		(16,871,799)	(18,529,876)
Operating profit / (loss) before depreciation, amortisation and provision		3,942,365	(11,065,584)
Depreciation, amortisation and provisions:			
Depreciation	3	(2,300,000)	(2,200,000)
Restructuring		-	(3,000,000)
Amortisation and provisions	5	(2,600,000)	
Gain on acquisition of Minority Interest	5	4,245,437	-
Profit / (loss) from continued operating activities		3,287,802	(16,265,584)
DISCONTINUED OPERATIONS			
Revenues		-	1,530,901
Operating expenses		-	(3,205,521)
Depreciation	3	-	(365,000)
Loss on sale of subsidiary	3	-	(150,500)
Loss from discontinued operating activities		-	(2,190,120)
Total profit / (loss) from continued and discontinued operating activities		3,287,802	(18,455,704)
Minority interest	5	773,800	4,968,051
Net profit / (loss)		4,061,602	(13,487,653)
<i>Profit / (loss) per share</i>	2	<i>3.16</i>	<i>(10.25)</i>
<i>Profit per share diluted</i>		<i>3.07</i>	<i>Not applicable</i>

CONSOLIDATED INTERIM CHANGES IN SHAREHOLDERS' EQUITY

ALL AMOUNTS IN SWISS FRANCS

	Share capital	Share premium & reserves	Treasury shares	Accumulated losses	Total
Balance at 1 January 2002	13,760,300	62,125,044	(527,727)	(22,191,390)	53,166,227
Net changes in treasury shares	-	-	(735,087)	(1,122,679)	(1,857,766)
Net loss of the period	-	-	-	(13,487,653)	(13,487,653)
Balance at 30 September 2002	13,760,300	62,125,044	(1,262,814)	(36,801,722)	37,820,808
Balance at 1 January 2003	13,760,300	61,630,127	(2,154,376)	(37,812,188)	35,423,863
Net changes in treasury shares	-	-	526,408	1,339,544	1,865,952
Net profit of the period	-	-	-	4,061,602	4,061,602
Balance at 30 September 2003	13,760,300	61,630,127	(1,627,968)	(32,411,042)	41,351,417

CONSOLIDATED INTERIM CONDENSED CASH FLOW STATEMENT

ALL AMOUNTS IN SWISS FRANCS

	9 months ended 30 September	
	2003	2002
Cash flow from operating activities		
Ordinary	91,597,930	910,671
Restructuring and discontinued operations	(5,276,879)	(5,074,441)
Net cash from / (used in) operating activities	86,321,051	(4,163,770)
Cash flow from investing activities		
Purchase of Property, plant and equipment	(2,136,732)	(984,579)
Proceed from sales of subsidiary	-	150,000
Cash disbursed for the acquisition of Minority interest in Swissquote Bank	(850,000)	-
Change in Other long term assets	(145,043)	(296,012)
Net sale (purchase) of treasury shares	65,782	(1,857,766)
Net cash used in investing activities	(3,065,993)	(2,988,357)
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	83,255,058	(7,152,127)
Movements in cash and cash equivalents		
At beginning of year	212,869,916	117,693,778
Increase / (decrease)	83,255,058	(7,152,127)
At 30 September	296,124,974	110,541,651
Cash and cash equivalents		
Cash and balances with central bank	33,761,907	19,556,885
Due from other banks	262,636,077	90,987,006
Due to other banks	(273,010)	(2,240)
Total at 30 September	296,124,974	110,541,651

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 between 6 May 2003 to 23 July 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.

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

ALL AMOUNTS IN SWISS FRANCS

1. Operating Expenses

	9 months ended 30 September	
	2003	2002
Payroll & related expenses	8,399,043	6,385,295
Production expenses	3,129,290	2,747,219
Marketing expenses	2,144,062	2,829,162
Administration and other operating expenses	3,199,404	2,068,199
Total	16,871,799	14,029,876

2. Profit/(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.

	9 months ended 30 September	
	2003	2002
Net profit / (loss)	4,061,602	(13,487,653)
Weighted average number of ordinary shares in issue	1,283,981	1,315,442
Basic profit / (loss) per share	3.16	(10.25)
Diluted profit per share	3.07	Not applicable

In accordance with IAS 33, diluted earning per share is only disclosed when the Group posts a profit.

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

ALL AMOUNTS IN SWISS FRANCS

3. Property, Plant and Equipment

	IT systems	Others	Total
9 months ended 30 September 2002			
Opening net book amount (1.1.2002)	7,704,612	2,810,565	10,515,177
Addition	984,579	-	984,579
Depreciation	(2,455,000)	(100,000)	(2,555,000)
Net book value of operations discontinued	(150,000)	(150,000)	(300,000)
Write-offs (restructuring)	(439,435)	(2,560,565)	(3,000,000)
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Closing net book amount (30.9.2002)	5,644,756	-	5,644,756
9 months ended 30 September 2003			
Opening net book amount (1.1.2003)	4,607,252	997,671	5,604,923
Addition	1,629,845	506,887	2,136,732
Depreciation	(1,626,964)	(73,036)	(1,700,000)
Amortisation (Note 5)	(900,000)	-	(900,000)
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Closing net book amount (30.9.2003)	3,710,133	1,431,522	5,141,655

Additions to Property, plant and equipment include an amount of CHF 0.2 mio (2002: CHF 0.5 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
At 1 January 2002	1,376,030	93,970	50,000	1,520,000
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)
At 30 September 2002	1,376,030	40,000	-	1,416,030
At 1 January 2003	1,376,030	40,000	-	1,416,030
At 30 September 2003	1,376,030	40,000	-	1,416,030

4.2 Information on Stock Options

	2nd Allocation	3rd Allocation	4th Allocation	5rd Allocation	Total	Conditional shares available for exercise
Balance at 1 January 2002	6,605	22,456	-	-	29,061	93,970
Reduction of the number of conditional shares as per the resolution of the AGM on 18 April 2002						(53,970)
Grants	-	-	48,000	20,300	68,300	
Exercise	-	-	-	-	-	
Lapsed	(474)	(7,712)	-	-	(8,186)	
Balance at 30 September 2002	6,131	14,744	48,000	20,300	89,175	40,000
Balance at 1 January 2003	-	14,524	48,000	20,300	82,824	40,000
Grants	-	-	-	-	-	
Exercise	-	-	-	(1,400)	(1,400)	
Lapsed	-	-	-	-	-	
Balance at 30 September 2003	-	14,524	48,000	18,900	81,424	(81,424)
<i>Short covering of options granted at 30 September 2003 measured on conditional shares available</i>						<i>(41,424)</i>

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

4.3 Treasury Shares

Treasury shares at 30 September 2003 consist of 26,688 shares valued at the closing price on that date. The following transactions took place in the period from 1 January to 30 September 2003:

- the acquisition of 3,926 shares at a unit price ranging from CHF 17.52 to CHF 35.21 (average cost of CHF 29.30 per share), and the disposal of 67,758 shares at a unit price ranging from CHF 16.23 to CHF 30.00 (average net price per share of CHF 24.90).
- 57,000 out of the 67,758 shares disposed were actually remitted to Aktiengesellschaft Assuricum as part of the consideration paid for the acquisition of their 20.58% interest in Swissquote Bank.

5. Acquisition of the Minority Interest in Swissquote Bank

Prior to the acquisition by the Group of the remaining 20.58% of Swissquote Bank owned by minority partners on 23 July 2003 ("The Acquisition"), the assets and liabilities, as well as the revenues and expenses of Swissquote Bank were already consolidated in full in the consolidated financial statements of the Group, which were adjusted for the minority interest in the Bank's equity and results.

The carrying amount of the Minority interest at the date of the Acquisition amounted to CHF 7.3 mio, and the total purchase consideration amounted to CHF 2.6 mio, which is lower. IAS 22 provides that the CHF 4.7 mio resulting difference ("the Negative Goodwill") shall be analysed as follows:

- The Company shall primarily investigate if the cause of the Negative Goodwill is relating to possible fair-value adjustments of the share of the non-monetary assets underlying the Minority Interest, the impairment of such assets, and / or any expected future expenses and / or losses. Such portion should be recognized as income on a systematic basis over the remaining weighted average useful life of the identifiable acquired depreciable / amortizable assets and / or when the expected future expenses and / or losses are recognized.
- Should the amount identified by the above process be less than the Negative Goodwill, the residual part shall be recognized as profit.

In connection with the above process, the Company resolved to create provisions amounting to CHF 2.6 mio relating to needs of accelerated depreciation and specific accrued liabilities in connection with past acquisitions of customers, of which CHF 0.5 mio (representing the share of the minority in these provisions) is deducted from the CHF 4.7 mio Negative Goodwill. The resulting CHF 4.2 mio Negative Goodwill (net) posted to the Statement of Operations is a gain on acquisition of Minority interest.

6. 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 private investors, independent asset managers and institutional investors 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
- Via telephone, the trading on worldwide markets
- Foreign exchange spot transactions in US Dollar, Euro and Swiss Franc

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

ALL AMOUNTS IN SWISS FRANCS

- 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 1,341.1 mio at 30 September 2003 (31 December 2002: CHF 732.8 mio), of which CHF 278.5 mio (CHF 176.7 mio) in cash and CHF 1,062.6 mio (CHF 556.1 mio) in securities.

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 September 2003 prepared in accordance with the guidelines of the Bank Ordinance (FBC-BAG).

Swissquote Bank : Non-Audited Balance Sheet at 30 September 2003

ASSETS	30 September		LIABILITIES AND EQUITY	30 September	
	2003	2002		2003	2002
Current assets			Liabilities		
Cash and balances with central bank	33,759,381	26,479,398	Due to other banks	273,010	2,240
Due from other banks	251,672,052	62,120,000	Due to customers	278,450,307	69,52,172
Due from customers	17,587,076	1,418,593	Trade payable and accrued liabilities		
Other short-term assets	2,014,799	602,007	- Third parties	5,602,821	3,701,183
			- Group companies	4,603,062	1,841,227
			Provisions	3,433,117	700,000
	<u>305,033,308</u>	<u>90,619,998</u>		<u>292,362,317</u>	<u>75,770,822</u>
Non-current assets			Equity		
Property, Plant and Equipment, net	9,222,438	9,203,557	Share-capital	25,000,002	25,000,002
Investment security held to maturity	5,325,413	931,119	General reserve	-	-
Other non-current assets	123,710	16,150	Accumulated losses beginning of year	(1,024,695)	-
	<u>14,671,561</u>	<u>10,150,826</u>	Result of financial reorganisation (*1)	1,835,695	11,154,872
			Profit/(loss) for the 9 months period	1,531,550	(11,154,872)
				<u>27,342,552</u>	<u>25,000,002</u>
Total	319,704,869	100,770,824	Total	319,704,869	100,770,824

(*1) On 6 May 2003, the Bank carried out a financial reorganisation consisting on 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.