



SWISSQUOTE

FINANCIAL REPORT 2000

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REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

Dear Shareholders,

The Swissquote Group laid some important groundwork for its future development in fiscal 2000: it opened to the public, founded the Swissquote Bank and obtained a banking and stockbroking licence. It also entered the German-speaking Swiss market and launched its French financial portal swissquote.fr. In fiscal 2001, we intend to double our sales and for the first time move into the black in the course of the 4th quarter.

The strategic focus is right

Swissquote Group's growth strategy is evident from the figures for fiscal 2000, which show that sales rose by 156% to CHF 15.1 million compared with the previous year (1999: CHF 5.8 million), while the number of employees increased from 60 to 160 during the same period. Our strategy of developing and marketing integrated web-based financial services has proven its worth. Our unique combination of complementary core activities puts Swissquote in a class of its own both in terms of sales and personnel. This is proving to be a great asset for both marketing purposes and recruiting qualified staff.

SQN stock has growth potential

Tech-stock jitters on the capital markets also affected the price of SQN stock, which on occasion fell to 50% of its issue price of CHF 250.- when trading began on May 29, 2000. Swissquote Group intends to change its image on the capital market by focusing more on its banking business, however. The Board of Directors and the Executive Committee believe in the growth potential of SQN stock and are therefore optimistic about future developments.

REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

Changes on the Board of Directors

Dr. Tito Tettamanti was appointed to the Board of Directors to support it in the run-up to the flotation. Alfred Moeckli resigned from the Board of Directors as Swiss banking law does not allow the combination of this type of directorship with the office of CEO of Swissquote Bank.

Sales to double in 2001

We expect sales to double in 2001. Investments in the launch of the Swissquote Bank and in the expansion of our presence in France will have a negative impact on the balance sheet in the first three quarters of 2001. We nevertheless expect to move into the black for the first time at some point in the fourth quarter. Our total losses for fiscal 2001 are expected to be between CHF 9 million and CHF 11 million. We will achieve our targets by organic growth. Our consolidated balance sheet as per December 31, 2000 puts equity capital at CHF 71 million and liquid assets at CHF 81.3 million.

Thanks

On behalf of the Board of Directors, I would like to thank Swissquote Group's customers and shareholders for their confidence in us, our staff for their dedicated work and our partners for their cooperation and support in pursuit of our goals.



Jean Pfau, Chairman of the Board of Directors

BERICHT VERWALTUNGSRATSPRÄSIDENT

Sehr geehrte Aktionärinnen, sehr geehrte Aktionäre

Im Geschäftsjahr 2000 schuf die Swissquote Group wichtige Voraussetzungen für ihre künftige Entwicklung: Publikumsöffnung, Gründung der Swissquote Bank und Erlangung der Bank- und Effektenhandelslizenz, Schritt in die deutsche Schweiz und Lancierung des französischen Finanzportals swissquote.fr. Im Geschäftsjahr 2001 wollen wir den Umsatz verdoppeln und im 4. Quartal erstmals die Gewinnzone erreichen.

Strategische Ausrichtung stimmt

Das Wachstumsstreben der Swissquote Group zeigt sich in den Zahlen des Geschäftsjahrs 2000 sowohl beim Umsatz, der gegenüber dem Vorjahr um 156 % auf CHF 15,1 Mio (1999: CHF 5,8 Mio) zugenommen hat, als auch im markanten Personalausbau von 60 auf 160 Mitarbeiter. Unsere Strategie – web based Financial Services integriert zu entwickeln und zu vermarkten – hat sich bestätigt. Die Einzigartigkeit der komplementären Kernkompetenzen im Internet und bei den Finanzdienstleistungen verschafft Swissquote sowohl im Absatz- wie im Personalmarkt eine Sonderstellung. Das wirkt sich im Marketing ebenso positiv aus wie bei der Rekrutierung von qualifizierten Mitarbeitern.

SQN-Aktie hat Wachstumspotenzial

Die Verunsicherung des Kapitalmarkts gegenüber Technologie- und Internet-Werten hat auch den SQN-Kurs beeinflusst. Er lag zeitweise bis zu 50 % unter dem Ausgabekurs beim Börsengang vom 29. Mai 2000 von CHF 250.-. Die Verstärkung der Swissquote Group in Richtung Bankgeschäft wird die Wahrnehmung unseres Unternehmens im Kapitalmarkt verändern. Der Verwaltungsrat und die Gruppenleitung glauben an das Wachstumspotenzial der SQN-Aktie und sind bezüglich der künftigen Kursentwicklung zuversichtlich.

BERICHT VERWALTUNGSRATSPRÄSIDENT

Veränderungen im Verwaltungsrat

Beim Börsengang wurde der Verwaltungsrat durch die Zuwahl von Dr. Tito Tettamanti verstärkt. Alfred Moeckli trat per aus dem Verwaltungsrat zurück, da dieses Mandat, aufgrund des schweizerischen Bankengesetzes, nicht mit seiner neuen Funktion als CEO der Swissquote Bank AG vereinbar ist

Umsatzverdoppelung im Jahr 2001

Für das Geschäftsjahr 2001 rechnen wir mit einer Umsatzverdoppelung. Der Initialaufwand für den Start der Swissquote Bank sowie die Investitionen zum Ausbau unserer Präsenz in Frankreich werden das Resultat der ersten drei Quartale 2001 belasten. Wir gehen aber davon aus, dass wir die Gewinnzone erstmals im vierten Quartal erreichen werden. Insgesamt dürfte sich der Verlust für das Jahr 2001 in der Grössenordnung von CHF 9 Mio bis CHF 11 Mio bewegen. Das geplante Wachstum erreichen wir aus eigenen Mitteln. Unsere konsolidierte Bilanz weist per 31.12.2000 ohne Verschuldung ein Eigenkapital von CHF 71 Mio und liquide Mittel von CHF 81,3 Mio aus.

Dank

Im Namen des Verwaltungsrats danke ich den Kunden und Aktionären der Swissquote Group für ihr Vertrauen, allen Mitarbeiterinnen und Mitarbeitern für ihr Engagement und unseren Kooperationspartnern für die Mitwirkung und Unterstützung bei der Verwirklichung unserer Ziele.



Jean Pfau, Verwaltungsratspräsident

RAPPORT DU PRÉSIDENT DU CONSEIL D'ADMINISTRATION

Chères actionnaires, chers actionnaires,

L'exercice 2000 a vu Swissquote Group franchir d'importantes étapes pour son développement futur: entrée en bourse, fondation de Swissquote Bank, octroi d'une licence bancaire et de négociant en titres, extension des opérations en Suisse alémanique et lancement du portail financier swissquote.fr en France.

Pour l'exercice 2001, le Conseil d'Administration s'attend à un doublement du chiffre d'affaires. Le seuil de rentabilité doit être franchi au cours du quatrième trimestre de l'exercice 2001.

Des options stratégiques pertinentes

La dynamique de croissance de Swissquote Group se reflète dans les chiffres de l'exercice 2000. Le chiffre d'affaires a atteint CHF 15,1 mio., soit une augmentation annuelle de 156 % (CHF 5,8 mio. en 1999). Dans le même temps, le nombre de collaborateurs est passé de 60 à 160.

Notre stratégie consistant en une approche intégrée du développement et de la commercialisation de services financiers en ligne s'est avérée fondée. La combinaison unique du savoir-faire en matière de Web Intelligence et de services financiers sur Internet procure au Groupe un positionnement unique. Elle suscite un intérêt marqué de la part de partenaires potentiels et se révèle un atout dans le recrutement des collaborateurs.

L'action SQN a un potentiel de croissance

Le renversement de tendance des marchés financiers à l'égard des valeurs technologiques et de l'Internet s'est répercuté sur le cours de l'action SQN, qui a évolué de 50 % depuis le prix d'émission de CHF 250.- le 29 mai 2000.

L'évolution du Groupe vers le métier de la banque devrait modifier à terme la perception des marchés financiers. Le Conseil d'Administration et la direction du Groupe sont confiants dans le potentiel de redressement et de croissance du titre SQN.

RAPPORT DU PRÉSIDENT DU CONSEIL D'ADMINISTRATION

Changements au sein du Conseil d'Administration

Le Conseil d'Administration a été renforcé, lors de l'entrée en bourse du Groupe, par l'arrivée du Dr Tito Tettamanti. Alfred Moeckli s'est retiré du Conseil d'Administration puisque ce mandat, sur la base de la Loi Fédérale sur les Banques, n'est pas compatible avec sa nouvelle fonction de CEO de Swissquote Bank.

Doublement du chiffre d'affaires en 2001

Pour l'exercice 2001, nous nous attendons à un doublement du chiffre d'affaires. Les investissements initiaux consentis pour le lancement de Swissquote Bank, ainsi que ceux requis pour le développement de nos activités en France, pèseront sur le résultat des trois premiers trimestres de 2001. Il est cependant prévu que le seuil de rentabilité soit atteint au cours du quatrième trimestre. L'exercice 2001 devrait, de ce fait, se solder par une perte située entre CHF 9 et 11 mio.

La croissance de Swissquote Group sera assurée par ses propres moyens, sans recours à du financement supplémentaire. Les fonds propres consolidés au 31.12.2000 sont de CHF 71,0 et les liquidités de CHF 81,3 mio. Il n'y a pas d'endettement à long terme.

Remerciements

Au nom du Conseil d'Administration, je saisis cette occasion pour adresser mes remerciements aux clients du Groupe et aux actionnaires pour leur confiance, à nos collaborateurs pour leur contribution au succès du Groupe et à nos partenaires, dont les services ont permis la réalisation de nos objectifs.



Jean Pfau, Président du Conseil d'Administration

CONSOLIDATED FINANCIAL STATEMENTS FOR THE
YEARS ENDED 31 DECEMBER 2000 AND 1999

CONSOLIDATED BALANCE SHEET

	Notes	2000	1999
ASSETS			
Current assets			
Cash and banks	1	81,337,957	2,261,841
Receivables and prepayments	2	3,241,199	919,214
Work in progress		366,160	520,000
		<u>84,945,316</u>	<u>3,701,055</u>
Non-current assets			
Property, plant and equipment	3	5,036,971	1,013,801
Other long term assets	4	199,928	-
Deferred tax assets, net	5	1,188,940	244,514
		<u>6,425,839</u>	<u>1,258,315</u>
Total assets	9	<u>91,371,155</u>	<u>4,959,370</u>
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	6	6,216,817	1,099,632
Deferred revenues	7	17,416	760,000
		<u>6,234,233</u>	<u>1,859,632</u>
Non-current liabilities			
Convertible debt	8	-	1,687,827
Total liabilities		<u>6,234,233</u>	<u>3,547,459</u>
Minority interest	10	<u>14,121,950</u>	<u>-</u>
Equity	9		
Ordinary shares		13,500,000	2,276,370
Share premium and reserves		61,790,034	321,834
Translation differences		(4,571)	-
Accumulated losses		(4,270,491)	(1,186,293)
Total equity		<u>71,014,972</u>	<u>1,411,911</u>
Total liabilities and equity		<u>91,371,155</u>	<u>4,959,370</u>

CONSOLIDATED STATEMENT OF OPERATIONS

	Notes	2000	1999
OPERATING REVENUES			
Sales	11	15,051,692	5,770,078
Other income		-	93,546
		<u>15,051,692</u>	<u>5,863,624</u>
Total operating revenues		<u>15,051,692</u>	<u>5,863,624</u>
OPERATING EXPENSES			
Payroll and related expenses	12	9,391,416	3,517,553
Production expenses		3,164,725	1,208,999
Marketing expenses		3,237,496	567,778
Administration and other operating expenses		3,395,387	1,140,906
		<u>19,189,024</u>	<u>6,435,236</u>
Total operating expenses	13	<u>19,189,024</u>	<u>6,435,236</u>
Operating loss before depreciation		(4,137,332)	(571,612)
Depreciation and amortisation		(857,262)	(253,219)
		<u>(4,994,594)</u>	<u>(824,831)</u>
Loss from operating activities		<u>(4,994,594)</u>	<u>(824,831)</u>
Financial income / (expense), net	14	1,233,588	(23,790)
		<u>(3,761,006)</u>	<u>(848,621)</u>
Loss before tax		<u>(3,761,006)</u>	<u>(848,621)</u>
Income tax credit, net	5	321,548	92,448
		<u>(3,439,458)</u>	<u>(756,173)</u>
Loss after tax		<u>(3,439,458)</u>	<u>(756,173)</u>
Minority interest	10	365,411	-
Net loss		<u>(3,074,047)</u>	<u>(756,173)</u>
Loss per share	15	(3.37)	(7.15)

CONSOLIDATED CASH FLOW STATEMENT

	2000	1999
OPERATING ACTIVITIES		
Operating loss before depreciation	(4,137,332)	(571,612)
Change in working capital:		
Receivables and prepayments	(2,321,985)	(582,024)
Work in progress	153,840	(420,000)
Trade and other payables	5,117,185	641,057
Deferred revenues	(742,584)	227,928
Cash used in operations	(1,930,876)	(704,651)
Interest received	1,283,588	1,120
Interest paid	(15,579)	(16,703)
Net cash used in operating activities	(662,867)	(720,234)
INVESTING ACTIVITIES		
Purchase of Property, plant and equipment	(4,879,139)	(1,080,806)
Purchase of other long term assets	(201,221)	-
Net cash used in investing activities	(5,080,360)	(1,080,806)
FINANCING ACTIVITIES		
Proceeds from issue of convertible debt	-	2,000,000
Proceeds from issue of ordinary shares	77,609,350	2,050,000
Proceeds from issue of ordinary shares to the Minority shareholders in Swissquote Bank	14,700,000	-
Capital increase cost paid	(7,490,007)	(17,423)
Net cash from financing activities	84,819,343	4,032,577
INCREASE IN CASH AND CASH EQUIVALENTS	79,076,116	2,231,537
MOVEMENT IN CASH AND CASH EQUIVALENTS		
At start of year	2,261,841	30,304
Increase	79,076,116	2,231,537
At end of year	81,337,957	2,261,841
Cash and cash equivalents at 31 December:		
Cash and banks	81,337,957	2,261,841

Non-cash transaction in 2000: conversion of CHF 2,000,000 convertible loans.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

General Information

Swissquote Group Holding Ltd and its subsidiaries ("The Group") provide Internet services in two business segments :

- **Online Financial Services** – Online Financial Services consist of the services provided on its web portals **www.swissquote.ch** and **www.swissquote.fr** that mainly encompass the providing of media services (real time financial information, various tools to consult and analyse this information, banner advertising and e-publishing space). Since 1 November 1999 the Group offers an online security trading platform. This services will be included in the newly created Swissquote Bank's online financial services in 2001. Swissquote Bank ("The Bank") was formed on 24 November 2000 after being granted a full banking licence for banking services in Switzerland by the Federal Banking Commission on 26 October 2000. The Bank's operations in 2000 have consisted in setting-up its organisation and developing its technological infrastructure. The commercial operations are forecasted to start in the first half of 2001;
- **Web Intelligence Services** – Web Intelligence Services comprise the development of Websites, e-commerce applications and communication on the Web.

The Group's headquarters are located in Gland (Canton de Vaud) in Switzerland. The operations are located in Switzerland (Gland and Zurich) and in France (Paris). The Group employed 160 employees (full time equivalent) at the end of December 2000 (31 December 1999: 60).

The parent company of the Group is Swissquote Group Holding Ltd, which is a limited liability company incorporated in Switzerland. The address of its registered office is: Route des Avouillons 16, CH - 1196 Gland.

The shares of Swissquote Group Holding Ltd have been listed on the SWX New Market of the Swiss Stock Exchange since 29 May 2000. The ticker is SQN, the security number is 1,067,586 and the ISIN Number is CH0010675863. The issued share capital of CHF 13,500,000 at 31 December 2000 consists of one single class of ordinary shares (1,350,000 Registered Shares of CHF 10 nominal value). A conditional capital of CHF 1,200,000 consisting of 120,000 conditional ordinary shares was set-up to cover the existing and future rights of employees to whom the Group has granted / will grant stock options under the Group Stock Option Plan. An authorised share capital of CHF 500,000 consisting of 50,000 shares also exists at 31 December 2000.

At 31 December 2000, the free float is 39.2% of the issued shares and is in the hands of a broad public consisting in approx. 1,800 registered shareholders. The non-tradable shares representing an aggregate of 821,670 shares (60.8%) are held by the following shareholders:

Mr. Jean Pfau	17.8%
Mr. Marc Bürki	17.8%
Mr. Paolo Buzzi	17.8%
Mr. Alfred Moeckli	7.4%

Holdings expressed in percentage of the issued ordinary share capital

The shareholdings of the above shareholders are subject to a lock-up agreement which provides that these shares cannot be traded until 4 June 2001. 273,890 shares will become freely tradable on 5 June 2001, further 273,890 shares on 5 December 2001, and the remaining 273,890 shares on 29 May 2002.

Except the above-mentioned shareholders, no other shareholder registered in the Shareholder Registry owns 3% or more of the issued share capital.

Accounting Policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below.

A. Basis of preparation

The consolidated financial statements are prepared in accordance with and comply with International Accounting Standards. The consolidated financial statements are prepared under the historical cost convention.

B. Consolidation*List of consolidated subsidiaries*

Subsidiaries	Headquarters / country	Interest
Swissquote Info Ltd	Gland / Switzerland	100%
Swissquote Trade Ltd	Gland / Switzerland	100%
Swissquote Bank	Gland / Switzerland	51%
Swissquote France SAS	Paris / France	100%
Marvel Communications Ltd	Gland / Switzerland	100%

Background information

Swissquote Group Holding Ltd was formed on 12 August 1999. Its wholly owned subsidiaries at formation date were:

- Marvel Communications Ltd. This company was formed on 11 September 1990 and was the only Group company existing at 1 January 1999.
- Swissquote Trade Ltd was formed on 25 March 1999.

Both companies are Swiss limited companies. Both the 100% investments in Marvel Communications Ltd and Swissquote Trade Ltd were contributed into Swissquote Group Holding Ltd by the ultimate shareholders with shareholdings in both of these companies at the time of formation of Swissquote Group Holding Ltd. The resulting shareholding in Swissquote Group Holding Ltd has not resulted in a significant change of shareholdings of the ultimate shareholders.

Subsequently to its formation, the following structuring operations and formation of new subsidiaries were carried-out:

- On 21 December 1999, Marvel Communications Ltd was split up into Marvel Communications Ltd and Swissquote Info Ltd. Both companies are fully owned subsidiaries of Swissquote Group Holding Ltd at 31 December 1999 and 2000.
- On 4 August 2000, Swissquote Group Holding Ltd formed Swissquote France SAS, a limited company under the laws of France, which is owned 100% at 31 December 2000.

- On 24 November 2000, Swissquote Group Holding Ltd and Rüd, Blass & Cie AG, Bankers ("RBC"), a wholly owned subsidiary of Zurich Financial Services formed Swissquote Bank, a limited company under the laws of Switzerland which is granted a full banking licence in Switzerland and is submitted to the banking regulations in Switzerland. Swissquote Group Holding Ltd owns 51% of the share capital and related rights of Swissquote Bank, the remaining rights being owned by RBC. The Minority Interests relating to RBC's investment in Swissquote Bank are determined based on the the financial statements of Swissquote Bank prepared in accordance with the Group accounting policies. In accordance with the agreement signed between Swissquote Group Holding Ltd and RBC on 16 August 2000, 11.5% of the net commission revenues of the Bank are fully retroceded to a wholly owned Group company in exchange for the access to the traffic of the www.swissquote.ch portal and its related services.

Consolidation principles

Subsidiary undertakings, which are those entities in which the Group has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations are consolidated. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. All intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Foreign currency translation

Income statements of foreign entities are translated into the Group's reporting currency at the weighted average exchange rates for the year and balance sheets are translated at the exchange rates ruling on 31 December. Exchange differences arising from the retranslation of the net investment in foreign subsidiary undertakings are taken to shareholders' equity. On disposal of a foreign entity, accumulated exchange differences are recognised in the income statement as part of the gain or loss on sale.

Foreign currency transactions are accounted for at the exchange rate prevailing at the date of the transactions; gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement.

C. Research and Development

Research and development expenditure is recognised as an expense except that costs incurred on development projects are recognised as development assets (intangible assets) to the extent that such expenditure is expected to have future benefits. However, development costs initially recognised as an expense are not recognised as an asset in a subsequent period.

Development costs capitalised are amortised from the commencement of the commercial production of the service / product to which they relate on a straight-line basis over the period of their expected benefits but not exceeding five years.

In the period presented, no project met the requirements and therefore all related costs were expensed as incurred.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

D. Property, plant and equipment

All property, plant and equipment is recorded at cost. Depreciation is calculated on the straight line method to write-off the cost of these assets to their residual values over their estimated useful lives as follows:

IT systems: 3 years
Leasehold improvements and office equipment: 4 to 5 years

The depreciation of property plant and equipment relating to new projects and services starts on the starting date of the commercial operations.

E. Work in progress

Work in progress is determined based on the sales price of identified contracts and the percentage of completion of the service or the product. The stage of completion is measured by reference to labour hours incurred to date to estimated total labour hours for each contract. Changes in work in progress are included in turnover.

F. Trade receivables

Trade receivables are carried at anticipated realisable value. An estimate is made for doubtful receivables based on review of all outstanding amounts at the year-end. Bad debts are written off during the year in which they are identified.

G. Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks and investment in money market instruments, net of bank overdrafts. In the balance sheet, bank overdrafts are included in current liabilities.

H. Deferred revenues and revenues recognition

Sales are recognised based on services provided. Services invoiced in advance to customers such as subscriptions are recognised based on the duration of the subscriptions.

I. Pension obligations

In 1999, the Group operated defined benefit plans. On 1 January 2000, the Group modified its plans that qualify as defined contribution plans in accordance with IAS 19. The pension plans are funded by employee and employer contributions, based on the plan regulations.

J. Stock option plan

No compensation cost is recognised in the statement of operations for the grant of stock options, except for the underlying social security costs. When options are exercised, the proceeds received are credited, net of any transaction costs, to share capital (nominal value) and share premium.

K. Deferred income taxes

Deferred income taxes are provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax.

The principal temporary differences arise from the capitalisation of certain assets and related depreciation as well as from tax losses carried forward. Deferred tax assets relating to tax losses carried forward, are recognised to the extent that taxable profit will be generated in the future and will be offset by the tax losses carried forward.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and banks

Cash and banks consist of:

	2000	1999
Cash at bank and in hand	6,337,957	661,841
Short-term bank deposits	75,000,000	1,600,000
	<u>81,337,957</u>	<u>2,261,841</u>

Short-term deposits are in Swiss Francs and maturities do not generally exceed two weeks.

2. Receivables and prepayments

Receivables and prepayments consist of:

	2000	1999
Trade receivables	1,903,153	768,241
Other receivables and prepaid costs	1,338,046	150,973
	<u>3,241,199</u>	<u>919,214</u>

At 31 December 1999, other receivables mainly consist of recoverable VAT.

At 31 December 2000, other receivables mainly include recoverable VAT, withholding taxes and prepaid marketing costs.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Property, plant and equipment

The movements in Property, plant and equipment are as follows:

	IT systems	Others	Total
Year ended 31 December 1999			
Opening net book amount	156,097	30,117	186,214
Addition	822,919	257,887	1,080,806
Depreciation	(231,176)	(22,043)	(253,219)
Closing net book amount	747,840	265,961	1,013,801
At 31 December 1999			
Cost	1,380,641	295,677	1,676,318
Accumulated depreciation	(632,801)	(29,716)	(662,517)
Net book amount	747,840	265,961	1,013,801
Year ended 31 December 2000			
Opening net book amount	747,840	265,961	1,013,801
Addition	2,836,454	2,042,685	4,879,139
Depreciation	(697,313)	(158,656)	(855,969)
Closing net book amount	2,886,981	2,149,990	5,036,971
At 31 December 2000			
Cost	4,217,095	2,338,362	6,555,457
Accumulated depreciation	(1,330,114)	(188,372)	(1,518,486)
Net book amount	2,886,981	2,149,990	5,036,971

At 31 December 1999 and 2000, the Group has no significant lease that may be considered as finance lease.

IT systems consist in IT hardware, software and network infrastructure. In 2000, CHF 249,914 of own costs were capitalised as software development costs.

Other mainly consists of leasehold improvements, vehicles, equipment and furniture.

4. Other long terms assets

Other long terms assets mainly consist of a long-term deposit that is pledged in favour of a third party to secure the commitments resulting from the lease of office space used by the Group.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. Deferred tax and taxes

The deferred tax balances and the movement in deferred taxes is analysed as follows:

	2000	1999
Deferred tax assets		
Tax loss carried forward	654,164	306,676
Temporary differences	769,985	1,231
Total	1,424,149	307,907
Deferred tax liabilities		
Permanent differences	(5,936)	(5,936)
Temporary differences	(229,273)	(57,457)
Total	(235,209)	(63,393)
Total net	1,188,940	244,514
Movements in Net deferred taxes analysed as follows:		
Balance, start of period	244,514	207,319
Net credit to statement of operations	321,548	92,448
Net credit / (debit) to share premium and reserves	668,680	(55,253)
Net debit to accumulated losses	(45,802)	-
Balance, end of period	1,188,940	244,514

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate applicable to the subsidiary undertakings consolidated and which range from 7.8 % to 22.6 %.

The deferred tax assets on tax losses carried forward are stated net of a CHF 576,760 provision for impairment of deferred tax assets on tax loss carried forward for which an offset withing the carry forward period by future taxable profits is unlikely. Under the current tax laws in Switzerland and in France, tax losses may be carried forward up to 6 years.

The principal sources of the changes in temporary differences are:

- The difference in the accounting of start-up and capital issue costs that are either expensed in the statement of operations or debited to share premium and reserves depending on their nature under IAS, and that are capitalised and amortised over 5 years under local accounting principles;
- The impact of the fair valuing of the convertible debt and its subsequent conversion.

The net debit to accumulated losses mainly results from a change of the tax rate applicable to limited companies in the canton de Vaud.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. Trade and other payables

Trade and other payables consist of:

	2000	1999
Trade payables	2,447,711	431,090
Social security and other taxes	1,428,555	288,690
Accrued expenses	2,340,551	379,852
	<u>6,216,817</u>	<u>1,099,632</u>

7. Deferred revenues

Deferred revenues mainly consist of prepaid subscription and maintenance fees.

8. Borrowings

Short term borrowing and credit facility

The Group's total short term borrowing facilities amount to CHF 800,000 and are in the form of overdraft facilities. If drawn down, CHF 500,000 of the overdraft facilities are secured by the pledge of trade account receivable and CHF 300,000 is unsecured. Overdrafts are charged at an interest rate of 6.8 % per annum. The Group did not use these facilities in 2000.

Long term borrowing (convertible loans)

CHF 2,000,000 convertible loans facilities were granted on 19 August 1999, drawn down in December 1999 and converted in March 2000. The initial maturity was on 19 August 2002, subject to prior conversions. The conversion period run from 2 December 1999 to the maturity date. The face interest rate was 3%. For fair valuing purpose and in accordance with IAS 32, a notional interest rate of 10% was used and was estimated to be the equivalent interest rate for an equivalent non-convertible loan facility.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The resulting fair valued liability and movement in the reporting period are:

	2000	1999
Initial recognition / conversion		
Fair value of liability		
at drawdown date	-	1,679,621
at conversion date	1,722,248	-
Face value of convertible debt		
Convertible debt 1	(1,000,000)	1,000,000
Convertible debt 2	(1,000,000)	1,000,000
	<u>(2,000,000)</u>	<u>2,000,000</u>
Difference	(277,752)	320,379
Analysed as:		
Increase (decrease) of share premium and reserves, gross	(277,752)	320,379
Plus (less) underlying deferred tax liability	41,663	(48,057)
	<u>(236,089)</u>	<u>272,322</u>
Movements in liability		
Fair value of liability at 1 January	1,687,827	-
Fair value of liability at draw-down date	-	1,679,621
Interest expense	50,000	13,064
Interest paid	(15,579)	(4,858)
	<u>1,722,248</u>	<u>-</u>
Fair value of liability at conversions date	1,722,248	-
Conversion	(1,722,248)	-
Fair value of liability at 31 December	<u>-</u>	<u>1,687,827</u>

The CHF 136,580 ordinary share capital issued in connection with the conversion consists of 13,658 registered shares of CHF 10 nominal value each.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. Equity

9.1 Statement of changes in equity

	Share capital	Share Premium & reserves	Accumulated Losses	Translation difference	Total
Balance at 1 January 1999	300,500	-	(430,120)	-	(129,620)
Capital increase / cash contributed	2,050,00	-	-	-	2,050,000
Difference arising on contribution in kind, net of deferred taxes	(74,130)	68,194	-	-	(5,936)
Impact of initial recognition of fair value of convertible loans on share premium reserves	-	272,322	-	-	272,322
External costs relating to the issue of new shares, net of deferred taxes	-	(18,542)	-	-	(18,542)
Net loss	-	(140)	(756,173)	-	(756,313)
Balance at 31 December 1999	2,276,370	321,834	(1,186,293)	-	1,411,911

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. Equity (continued)

	Share capital	Share Premium & reserves	Accumulated Losses	Translation difference	Total
Balance at 1 January 2000	2,276,370	321,834	(1,186,293)	-	1,411,911
IPO and related preliminary capital increases (excluding capital increase costs)	11,087,050	66,522,300	-	-	77,609,350
External costs relating to the issue of new shares (IPO and Swissquote Bank), net of deferred taxes	-	(6,864,811)	-	-	(6,864,811)
Conversion of convertible loans	136,580	1,863,420	-	-	2,000,000
Reversal of the fair value of convertible loans, and other movements in share premium and reserves	-	(265,348)	(10,151)	-	(275,499)
Minority Interest's share of external costs relating to the issue of new shares in Swissquote Bank	-	212,639	-	-	212,639
Translation difference	-	-	-	(4,571)	(4,571)
Net loss	-	-	(3,074,047)	-	(3,074,047)
Balance at 31 December 2000	13,500,000	61,790,034	(4,270,491)	(4,571)	71,014,972

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9.2 Share capital

	Ordinary Shares Issued	For Convertible Loans	For Stock Option Plan	Authorized Share Capital	Total Shares Issued and Unissued
	Number of shares				
At 1 January 1999 (a)	30,050	-	-	-	30,050
At formation of Swissquote Trade Ltd (b)	10,000	-	-	-	10,000
At formation of Swissquote Group Holding Ltd (c)	187,587	13,658	45,527	-	246,772
At 31 December 1999	227,637	13,658	45,527	-	286,822
At 1 January 2000	227,637	13,658	45,527	-	286,822
Conversion of convertible loans (d)	13,658	(13,658)	-	-	-
Increase resulting from the IPO and related preliminary capital increases (e)	1,108,705	-	74,473	50,000	1,233,178
At 31 December 2000	1,350,000	-	120,000	50,000	1,520,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

- a. At 1 January 1999, and in accordance with the explanation provided in accounting policy note B, the ordinary shares issued only consisted in the shares of Marvel Communications Ltd (20,050 registered shares of CHF 10 nominal and 2,000 registered shares of CHF 50 nominal). For the purpose of the above table the number of shares stated at 1 January 1999 are expressed in equivalent CHF 10 nominal registered shares.
- b. On 25 March 1999, Swissquote Trade Ltd was formed with a share capital of 10,000 registered shares of CHF 10 nominal.
- c. On 12 August 1999, the ultimate shareholders of both Marvel Communications Ltd and Swissquote Trade Ltd contributed their shares in kind to the newly formed Swissquote Group Holding Ltd in exchange for 27,637 registered shares of CHF 10 nominal of Swissquote Group Holding Ltd. Further 200,000 of registered shares of CHF 10 nominal of Swissquote Group Holding Ltd were issued against cash. At the same time, (1) a conditional capital of 13,658 registered shares of CHF 10 nominal was created in order to cover the conversion options rights granted to the bearer of the convertible debt issued (Note 8) and (2) an authorised capital of CHF 45,527 registered shares of CHF 10 nominal was created in the context of the Employee Stock Option Plan set-up for the Group's employees.
- d. In March 2000, the bearer of the convertible loans called for the conversion of the convertible loans resulting in the issuance of 13,658 registered shares of CHF 10 nominal.
- e. The IPO and related preliminary capital increases consist of a preliminary increase of 723,885 new shares, of 114,820 new shares acquired by the employees through the exercise of their options (Note 9.4) and 270,000 new shares placed in the public at the IPO. These increases are based on resolutions of the general meeting of shareholders of Swissquote Group Holding Ltd on 13 May 2000. On the same date, the general meeting of shareholders resolved:
- to create a conditional capital of CHF 1,200,000 to be utilized to cover outstanding and future options granted to employees under the existing Stock Option Plan. In this context, this conditional capital was created in replacement of the authorised capital consisting in 45,527 registered shares of CHF 10 nominal created on 12 August 1999. The resulting net increase is 74,473 registered shares of CHF 10 nominal;
 - to create an authorised share capital of CHF 500,000. The duration of the authorisation is until 13 May 2002. In the context of the IPO, Swissquote Group Holding Ltd granted an over-allotment option to the Lead Manager exercisable until 30 June 2000 in order to offer up to 50,000 additional shares at the Offering price on behalf of Swissquote Group Holding Ltd. The option granted lapsed without being exercised.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9.3 Dividend

Under Swiss Law, dividends can only be paid out of the distributable reserves that are determined on a non-consolidated basis. In addition, the Tax Authorities in Switzerland have imposed dividend restrictions as long as certain Group companies benefit from special tax arrangements granted to new companies. The Group is not allowed to distribute the portion of the distributable reserves which have been accumulated and that correspond to the tax savings resulting from the benefit of the special tax treatment compared to the ordinary taxation regime.

On 31 December 1999 and 2000, there are no distributable reserves.

9.4 Stock Option Plan

In 1999, the Group set-up a Stock Option Plan through which it makes options in common stock available to the Group employees and directors at the discretion of the Board of Directors. On 12 August 1999, an authorized share capital of 45,527 registered shares of CHF 10 nominal was created. In the context of the first allocation, 24,350 options were granted in 1999 and further 16,390 options were granted in 2000 prior to the IPO in the context of the second allocation. For both allocations, the strike price was set at CHF 70 per option, one option giving the right to acquire one share. The first allocation provided that the 50% of the options granted were exercisable at the IPO and the remaining 50% on the first anniversary of the IPO. The second allocation provided that options were exercisable in three equal tranches, the first at the IPO, the second on the date of the first anniversary of the IPO and the third on the date of the second anniversary of the IPO.

The terms of exercise of the options were adapted in the context of the IPO in order to account for the dilution of the option holders resulting from preliminary capital increases. The new terms for the options granted prior to the IPO provide that each option grants the right to acquire four shares at an exercise price of CHF 100 per option.

As mentioned in Note 9.2e, the authorised capital of 45,527 shares was replaced by a conditional capital of 120,000 shares in the context of the changes made to the capital structure with a view to the IPO.

At IPO a total of 114,820 shares were acquired by employees corresponding to 28,705 options that were then exercisable.

Post IPO, the Board of directors resolved to close the grants made under the first and second allocation and that future grants made under the third allocation be based on the following principles:

- One option grants the right to acquire one share;
- The strike price is equal to the 10-day-average closing price of SQN at the date of grant;
- Options granted are exercisable in four equal tranches of 25%. The first tranche becomes exercisable on the date of the first anniversary of the respective grant dates, the second on the date of the second anniversary of the respective grant dates, the third tranche on the date of the third anniversary of the respective grant dates and the fourth tranche on the date of the fourth anniversary of the respective grant dates. Each tranche is exercisable during a period of two years, starting from the date it first becomes exercisable.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The post IPO movements in the number of options granted, exercised and lapsed is reported below. For the purpose of this summary, the options granted in the first and second allocation are expressed in the same terms as the third allocations (one option giving the right to acquire one share).

	Number of options on the first day post IPO	Number of options Granted post IPO	Number of options Exercised post IPO	Number of options Lapsed post IPO	Number of options Granted Neither Lapsed nor Exercised
First allocation	29,704	-	-	(5,252)	24,452
Second allocation	17,916	-	-	(3,238)	14,678
Third allocation	-	3,500	-	-	3,500
Total	47,620	3,500	-	(8,490)	
Total at 31 December 2000					42,630
Number of conditional shares available at 31 December 2000 for the conversion of the options granted that have either not lapsed nor been exercised					120,000
<i>Resulting number of options available for future grants</i>					<i>77,370</i>

10. Minority interests

Minority interest only relates to the 49% interest of Rüd Blass & Cie, AG in Swissquote Bank (Note B).

	2000	1999
At beginning of year	-	-
At formation of Swissquote Bank	14,700,000	-
Share of movements in share premium and reserves	(212,639)	-
Share in net loss	(365,411)	-
At end of year	14,121,950	-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Segment information

ALL AMOUNTS IN SWISS FRANCS

	Web Intelligence	Online Financial Services	Totals
At 31 December 2000			
Sales	6,083,758	8,967,934	15,051,692
Segment result	335,917	(2,318,593)	(1,982,676)
Unallocated costs			(3,011,918)
Loss from operating activities			(4,994,594)
Financial income, net			1,233,588
Income tax credit, net			321,548
Minority interest			365,411
Net loss			(3,074,047)
Segment assets	3,219,400	8,246,500	11,465,900
Unallocated assets			79,905,255
Consolidated total assets			91,371,155
Segment liabilities	(553,850)	(4,275,500)	(4,829,350)
Unallocated liabilities			(1,404,883)
Consolidated total liabilities			(6,234,233)
Capital expenditure	1,351,339	3,527,800	4,879,139
Depreciation	375,048	480,921	855,969

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Segment information (continued)

ALL AMOUNTS IN SWISS FRANCS

	Web Intelligence	Online Financial Services	Totals
At 31 December 1999			
Sales	3,295,965	2,474,113	5,770,078
Segment results	948,745	(611,878)	336,867
Unallocated costs			(1,161,698)
Loss from operating activities			(824,831)
Financial expense, net			(23,790)
Income tax credit			92,448
Net loss			(756,173)
Segment assets	782,815	1,147,054	1,929,869
Unallocated assets			3,029,501
Consolidated total assets			4,959,370
Segment liabilities	(697,483)	(1,104,732)	(1,802,215)
Unallocated liabilities			(1,745,244)
Consolidated total liabilities			(3,547,459)
Capital expenditure	350,500	730,306	1,080,806
Depreciation	110,966	142,253	253,219

Assets, capital expenditure and sales outside Switzerland are less than 10% of total assets, capital expenditure and sales.

Segment information is determined based on the allocation of directly attributable revenues, expenses, assets and liabilities. Unallocated costs consist of the costs of the infrastructure and functions shared by the segments of operations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. Payroll and related expenses

	2000	1999
Wages and salaries	8,506,983	3,027,685
Social security costs	1,134,347	489,868
	<u>9,641,330</u>	<u>3,517,553</u>
Less capitalised costs	(249,914)	-
Total	<u>9,391,416</u>	<u>3,517,553</u>
Average headcount		
Full time	86	32
Part time	7	5

13. Total operating expenses

Development costs and start-up costs are expensed when incurred. Development and start-up costs relating to new projects and services that do not yet generate revenues are included in total operating expenses. As a result, total operating expenses can be analysed as follows:

	2000	1999
Total operating costs relating to:		
- Services generating revenues	16,634,224	6,035,236
- Services at development stage:		
• Online trading platform	-	300,000
• French operations	1,650,000	100,000
• Swissquote Bank	904,800	-
Total	<u>19,189,024</u>	<u>6,435,236</u>

Costs relating to services at development stage only include costs directly attributable to these services.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. Financial income/(expense), net

	2000	1999
Interest income	<u>1,283,588</u>	<u>1,120</u>
Interest expense		
Bank borrowings	-	(11,846)
Convertible debt	(50,000)	(13,064)
	<u>(50,000)</u>	<u>(24,910)</u>
Financial income / expense, net	<u>1,233,588</u>	<u>(23,790)</u>

Most interest income in 2000 derives from short term deposits. The average interest rate is 3.2%

15. 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 during the year.

	2000	1999
Net loss	(3,074,047)	(756,173)
Weighted average number of ordinary shares in issue	912,675	105,792
Basic loss per share	<u>(3.37)</u>	<u>(7.15)</u>

In accordance with IAS 33, no diluted loss per share is disclosed, because of the loss posted by the Group in the reporting periods. Using the conditional share capital in the diluted earnings per share calculation would result in an anti-dilution.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

16. Commitments

Operating leases

Operating lease commitments consist of office space leases

	2000	1999
Payable:		
Not later than 1 year	665,580	195,398
Later than 1 year and not later than 5 years	2,429,872	693,160
Later than 5 years	353,388	-

Others

In the context of the formation of Swissquote Bank, Swissquote Group Holding Ltd ("SQGH") and Rüd Blass & Cie AG, Bankers ("RBC") – (together the "Parties") – signed an agreement that provides certain rights and obligations with respect to their respective interest in Swissquote Bank.

- RBC granted a call to SQGH that grants SQGH the right to acquire RBC's 49% interest in Swissquote Bank. The exercise of the call is subject to the occurrence of specific events that include a change of RBC's ultimate shareholder;
- SQGH granted a put to RBC that grants RBC the right to sell its 49% interest in Swissquote Bank to SQGH. The exercise of the put is subject to the occurrence of specific events that include the acquiring of a controlling interest in SQGH by a third party different from the shareholders listed in the General Information section here-above.

In addition to the here-above put and call, the Parties have granted to each other the following rights and obligations:

- RBC granted a call to SQGH that grants SQGH the right to acquire RBC's 49% interest in Swissquote Bank. The exercise of the call is discretionary. The exercise period starts 4 years after a milestone date in the development of Swissquote Bank. The milestone date is expected to be reached in the second quarter of 2001. The exercise period is unlimited;
- SQGH granted a put to RBC that grants RBC the right to sell its 49% interest in Swissquote Bank to SQGH. The exercise of the put is discretionary. The exercise period starts 4 years after a milestone date in the development of Swissquote Bank. The milestone date is expected to be reached in the second quarter of 2001. The exercise period is unlimited.

The Parties have agreed on a procedure for valuing RBC's 49% interest in Swissquote Bank in case of exercise of a put or a call. The procedures agreed upon do not refer to any defined valuation method / formula and as a result no estimate of the amount corresponding to the Group's commitments relating to the puts granted to RBC can be made.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

17. Pension obligation

Until 31 December 1999, the Group employees were covered by three pension schemes qualifying as defined benefit plans according to IAS 19. The actuarial valuation carried at 31 December 1999, established that the present value of the funded obligation was equal to the fair value of the plan assets. The principal actuarial assumptions used for accounting purpose were a discount rate of 4%, an expected return on plan assets of 5%, future salary increases of 1.5% and future pension increases of 0.5%.

On 1 January 2000, the Group modified the plans that now qualify as defined contribution plans and hence no further actuarial valuation is required under IAS.

In both years of the reporting period, the pension cost corresponds to the effective contribution paid by employees and employer. The amount recognised in the statement of operations representing the employer contributions is included in payroll and related expenses and amounts to CHF 323,279 (1999: CHF 104,676).

The pension assets are held independently of the Group's assets in separate trustee funds.

18. Financial instruments

The carrying amount of the financial assets and financial liabilities approximates their fair value. The Group does not use derivative instruments, cash is placed with substantial financial institutions and there is no significant foreign currency exposure. The introduction of IAS 39, Financial Instruments: Recognition and Measurement, as of 1 January 2001 is not expected to have a significant impact on the Group's assets and liabilities as of 31 December 2000.

19. Swissquote Bank

Swissquote Bank still being in the preparation of its start of operations, its assets at 31 December 2000 mainly consist of cash deposited with substantial financial institutions (CHF 29.9 mio) and IT systems acquired from third parties and developed by Group companies.

20. Related party transactions

Balances and transactions with related parties are summarised as follows:

	2000	1999
Revenues	5,833,172	-
Convertible debt	-	843,914
Interest expense on convertible debt	25,000	6,532
Directors' remuneration, including compensation cost	873,600	631,500

*Report of the group auditors
to the general meeting of
Swissquote Group Holding Ltd
Gland*

As auditors of the group we have audited the consolidated financial statements (balance sheet, statement of operations, cash flow statement and notes) set out on pages 12 to 35 of Swissquote Group Holding Ltd ("the Company") and subsidiaries (collectively, "the Group") as of and for the year ended 31 December 2000.

These consolidated financial statements are the responsibility of the Board of Directors of the Company. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audits were conducted in accordance with auditing standards promulgated by the Swiss profession and with the International Standards on Auditing issued by the International Federation of Accountants (IFAC). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2000 and the results of its operations and cash flows for the year then ended in accordance with International Accounting Standards and comply with relevant Swiss law.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers SA

F Roth JC Pernollet

Lausanne, 19 February 2001

STATUTORY FINANCIAL STATEMENTS
AT 31 DECEMBER 2000
OF SWISSQUOTE GROUP HOLDING LTD

BALANCE SHEET

	Notes	2000	1999
ASSETS			
Current assets			
Cash and banks		51,106,681	1,670,666
Receivables		445,413	372
		<u>51,552,094</u>	<u>1,671,038</u>
Non-current assets			
Investments in subsidiaries	2	15,980,770	426,370
Receivables from subsidiaries	3	8,598,963	2,265,254
		<u>24,579,733</u>	<u>2,691,624</u>
Provision		(2,100,000)	(100,000)
		<u>22,479,733</u>	<u>2,591,624</u>
Total net			
		<u>22,479,733</u>	<u>2,591,624</u>
Formation costs	4	6,171,687	15'680
Intellectual property rights	4	37,278	193
		<u>28,688,698</u>	<u>2,607,497</u>
TOTAL		80,240,792	4,278,535
LIABILITIES AND EQUITY			
Current liabilities			
Creditors and accrued liabilities		366,440	17,416
Payable to Group companies		-	2,417
		<u>366,440</u>	<u>19,833</u>
Long term liabilities	5.2		
Convertible debt - third party		-	1,000,000
Convertible debt - shareholder		-	1,000,000
		<u>-</u>	<u>2,000,000</u>
Total liabilities		<u>366,440</u>	<u>2,019,833</u>
Equity			
Share capital	5.1	13,500,000	2,276,370
Share premium		68,385,719	-
Accumulated losses	5.4	(2,011,367)	(17,668)
		<u>79,874,352</u>	<u>2,258,702</u>
TOTAL		80,240,972	4,278,535

STATEMENTS OF OPERATIONS

	2000	1999
Income		
Revenues from investments	189,103	115,178
Interest income	1,171,857	1,062
	<u>1,360,960</u>	<u>116,240</u>
Expenses		
Operating expenses	534,478	27,308
Interest expense	-	4,858
Provisions	2,000,000	100,000
Amortisation	820,181	1,742
	<u>3,354,659</u>	<u>133,908</u>
Net loss	<u>(1,993,699)</u>	<u>(17,668)</u>

NOTES TO FINANCIAL STATEMENTS

1. Introduction

The company was formed on 12 August 1999. It is registered in the Canton de Vaud, Switzerland with headquarters in Gland. Swissquote Group Holding Ltd is the parent of Group companies that are active in web based financial services.

The shares of Swissquote Group Holding Ltd have been listed on the SWX New Market of the Swiss Stock Exchange since 29 May 2000. The ticker is SQN, the security number is 1,067,586 and the ISIN Number is CH0010675863.

The following shareholders own 3% or more of the issued share capital:

Mr. Jean Pfau	17.8%
Mr. Marc Bürki	17.8%
Mr. Paolo Buzzi	17.8%
Mr. Alfred Moeckli	7.4%
<i>Holdings expressed in percentage of the issued ordinary share capital</i>	

2. Investments in subsidiaries

	%	2000	1999
Marvel Communications SA, Gland	100	87,420	87,420
Swissquote Trade SA, Gland	100	238,950	238,950
Swissquote Info SA, Gland	100	100,000	100,000
Swissquote France SAS, Paris	100	254,400	-
Swissquote Bank, Gland	51	15,300,000	-
		15,980,770	426,370

3. Receivables from subsidiaries

The receivables from Group companies include a total amount of CHF 2,510,000 (1999: CHF 600,000) subordinated in favor of the creditors of other group companies.

4. Formation costs and intellectual property rights

These costs and investments are amortised over a period of 5 years (straight line).

NOTES TO FINANCIAL STATEMENTS

5. Share capital

5.1 Summary

		2000	1999
Ordinary issued shares		13,500,000	2,276,370
<i>Unissued shares:</i>			
Conditional share capital	5.2	1,200,000	136,580
Authorised share capital	5.3	500,000	455,270
Total issued and unissued shares		15,200,000	2,868,220

There is one single class of shares: Ordinary registered CHF 10 nominal share.

5.2 Conditional share capital

At the Extraordinary General Assembly on 20 October 1999, the shareholders decided to create a conditional share capital of CHF 136,580 for the possible conversion of a total CHF 2,000,000 convertible loans. These loans bore a 3 percent interest per annum, payable in December of each year and were unsecured. The loans were converted in March 2000, resulting in CHF 136,580 additional share capital and CHF 1,863,420 share premium.

On 13 May 2000, the general meeting of shareholders resolved to create a conditional capital of CHF 1,200,000 to be utilized to cover outstanding and future options granted to employees under the existing Stock Option Plan.

5.3 Authorised share capital

At the Extraordinary General Assembly on 20 October 1999, the shareholders decided to create an authorised share capital of CHF 455,270 in order to set-up a stock option plan for the Group employees. On 13 May 2000, this authorized share capital was cancelled and replaced by a conditional capital. On the same date, the shareholders resolved to create a new authorized share capital of CHF 500,000 to be used in connection with a "Green Shoe" call granted to the Lead Manager in the context of the IPO. This call was not exercised. The CHF 500,000 authorised share capital lapses on 13 May 2002.

5.4 Dividend restriction

Certain Group companies benefit from special tax arrangements granted to new companies. The Group is not allowed to distribute the portion of the distributable reserves which have been accumulated and that correspond to the tax savings resulting from the benefit of the special tax treatment compared to the ordinary taxation regime. At 31 December 1999 and 2000, the amount of non-distributable reserves is nil.

*Report of the statutory auditors
to the general meeting of
Swissquote Group Holding SA
Gland*

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes) set out on pages 38 to 41 of Swissquote Group Holding SA for the year ended 31 December 2000.

These financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements comply with Swiss law and the company's articles of incorporation.

We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers SA

F Roth JC Pernollet

Lausanne, 19 February 2001

