



SWISSQUOTE

ANNUAL REPORT 2001

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PART #1

REPORT OF THE CHAIRMAN



Dear Shareholders,

2001: revised targets achieved

In 2001, special attention was given to the successful launch of Swissquote Bank in extremely difficult situation on the financial markets. Although at the end of the first quarter we still expected to see an improvement in the financial markets for the second half of 2001, we were forced to revise our targets for 2001 by the end of the first half-year to revenues of CHF 13 million and a net loss of CHF 18 million. Even after the unforeseeable collapse in the capital markets following the events of September 11 in the US, we met our revised forecasts: our revenues in 2001 were CHF 13.2 million and the net loss CHF 17.9 million. In spite of the unsatisfactory operating result, our financial base is solid: as of 31 December 2001, the consolidated balance sheet of Swissquote Group showed equity capital of CHF 51.2 million and net liquidity of CHF 55.2 million. Swissquote Group's results for 2001 reflect the state of the economy and the stock markets in that year – as does the performance of the Swissquote shares, which lost 75 percent of their value between January 1 and December 31, 2001. At a slightly lower level, the share price approximately followed the SWX New Market Index (SMNI).

Swissquote - one brand, two strong products

In this difficult environment, Swissquote Group still had a number of notable achievements to show in 2001. Prominent among them was our success in establishing the Swissquote brand as a synonym for first-class online financial services (electronic banking and Internet financial portal). The segment posted sales of CHF 8.1 million in 2001 (2000: CHF 8.9 million).

Swissquote Bank - the best online broker

The main event in banking services was the successful launch of Swissquote Bank. We are the only Swiss provider to have established an Internet bank on schedule (May 25) and within budget (CHF 20 million). Our electronic banking services focus mainly on online securities trading, sale of investment funds, and foreign exchange trading. Swissquote Bank has established itself as a leading independent online provider in Switzerland. In the face of very harsh market conditions, it increased its market share of online trading (SWX and virt-x) from 15 to 20 percent in 2001. We are particularly pleased to note that in autumn 2001 CASH magazine voted Swissquote the best Swiss online broker.

Swissquote - a leading financial portal

In spite of a stagnant market and the appearance of new providers in 2001, the financial portal succeeded in maintaining the previous year's levels in terms of both its market share of online advertising and the number of page views (60 million per month or 3 million per working day). Swissquote thus remains by far the most visited Swiss financial portal. In 2001 we refurbished the financial portal to make it even more user-friendly. Our facilities were also extended, both by new tools (Runner, Analysis Tools, Warrant Chooser, Live intraday) and by additional content (US market, Euronext, AFX News, Research). Mid-year, Swissquote Group took the decision to close the French financial portal by the end of 2001. Continued operations of that portal could only be justified if we were to go into online brokerage, and in the current market situation, Swissquote prefers to concentrate all its available funds on expanding Swiss online financial services rather than fragmenting its resources.

Web Intelligence - returning to profit

Marvel Communications Ltd, which specializes in developing integrated Web facilities for Internet communication and e-business, achieved sales of CHF 5.1 million in 2001 (2000: CHF 6.1 million). As a consequence of the deterioration in the market (reluctance to invest, projects postponed or downsized), the demand emphasis in 2001 shifted from production (design and programming) towards strategic advisory and concept development. In mid-year Marvel capped its headcount at 50, at the same time expanding its advisory capacity. Combined with the addition of a number of prominent companies to its customer list, Marvel achieved break even in the 4th quarter.

Conservative assessment, decisive action

Swissquote Group does not expect a significant improvement in the market environment for online financial services in 2002. We have taken extensive measures to reduce our losses in the current year and to achieve sustained profit growth starting in 2003. Although completion is planned for the end of June 2002, the impact will not fully feed through to the income statement until 2003.

- We are strictly focusing our activities on online financial services (financial services and financial information). We intend to strengthen our position in this field by increasing Swissquote Bank's market share of online trading, as well as by continuing to expand both our banking services and the financial portal.

- Each of our online financial services companies will in future be managed directly by one of Swissquote's founders as CEO: Swissquote Bank by Marc Bürki, Swissquote Info Ltd (the Internet financial portal) and Swissquote Group by Paolo Buzzi.

- All Swissquote Bank's technical and back-office activities are being centralized at the Gland site. Customer Care will be concentrated in Schwerzenbach, as more than 80 percent of our customers are domiciled in the German-speaking part of Switzerland.

- This reorganization will have a significant effect on our headcount, reducing it from 159 to 110. The job losses will be divided equally between the Gland and Schwerzenbach locations. Staff affected will be given voluntary severance payments and active support in finding new jobs.

- Since March 1, 2002 Swissquote Bank is headed by Marc Bürki (CEO), Beat O. Trinkler (COO) and Michael Ploog (CFO). Former CEO Alfred Moeckli and former CIO Alfred Dubach left the company as of March 1, but are acting as consultants during the transition phase until June 30, 2002. The Board of Directors thanks them for the expertise and commitment that they brought to the development of Swissquote Bank, and wishes them success and fulfillment for the future.

In the profit zone in 2003

In business year 2002, around CHF 7.5 million will be taken to the Swissquote Group accounts for restructuring costs. In the second half of 2003, when cost reduction measures fully impact income, Swissquote expects a balanced EBITDA (earnings before interest, taxes, depreciation, and amortization). Sustained profits are expected starting in 2004.

Changes in the Board of Directors

Jean Pfau, Chairman, and Tito Tettamanti will be resigning from the Board of Directors at the Annual General Meeting on April 18, 2002. The Board of Directors thanks both these gentlemen for their high degree of commitment to Swissquote Group. Marc Bürki will also be stepping down from the Board of Directors of Swissquote Group Holding AG as Swiss banking law does not allow him to combine his remaining a member of the Board while acting as CEO of Swissquote Bank.

At the Annual General Meeting on April 18, 2002 the Board of Directors will propose the election of Peter Brogle and Paul E. Otth as new members.

Peter Brogle (60) has been an independent management consultant since 1998. He began his career with IBM Switzerland prior to taking over as CEO at Denner Holding. Back in the technological sector, he was appointed to the Board of AT&T Switzerland, where he was in charge of managing the takeover by NCR. He is currently Chairman of the Board of Simultan Holding/redIT Holding, E-Banking Solutions and Supplitel.

Paul E. Otth (58) has been Chief Financial Officer (CFO) and Member of the Executive Board of Unaxis since June 1, 2000. He was previously CFO at various companies within the Landis & Gyr Group, Elektrowatt and Siemens Building Technologies. Paul E. Otth is on the Boards of Swiss Federal Railways, Esec Holding and Inficon Holding.

The new Chairman of the Board of Directors will be Mario Fontana as of April 1, 2002. The newly formed Board combines experience and expertise in banking and finance, information technology, marketing and communication and particularly in corporate management.

Thanks

On behalf of the Board of Directors and management, we thank the customers and shareholders of Swissquote Group for the trust they have placed in us. We thank all our staff for their hard work and for their achievements in hectic times and a difficult environment. We also extend our thanks to our partners for the help and support they have given us in achieving our goals.



Jean Pfau

Chairman of the Board of Directors

As part of the cost-cutting measures, the Board of Directors has decided to produce the 2001 Annual Report as economically as possible, without in any way reducing the formal content. The detailed financial report is available in PDF format at <http://group.swissquote.com>, or you can order a printed copy from us.

Sehr geehrte Aktionärinnen, sehr geehrte Aktionäre

2001: Revidierte Ziele erreicht

Das Jahr 2001 war für die Swissquote Group gekennzeichnet durch den erfolgreichen Start der Swissquote Bank trotz der extrem schwierigen Situation an den Finanzmärkten. Wenn wir am Ende des ersten Quartals noch optimistisch meinten, dass sich das Börsenklima im zweiten Halbjahr 2001 wieder verbessern würde, waren wir nach Abschluss des ersten Halbjahrs gezwungen, unsere Budgets für 2001 massiv zu reduzieren: Umsatz CHF 13 Mio., Reinverlust CHF 18 Mio. Diese Ziele haben wir trotz dem unvorhersehbaren Absacken der Kapitalmärkte als Folge der Ereignisse vom 11. September in den USA erreicht. Unser Umsatz im Jahr 2001 belief sich auf CHF 13,2 Mio. und der Reinverlust lag bei CHF 17,9 Mio. Dem unbefriedigenden operativen Ergebnis steht aber nach wie vor eine solide finanzielle Basis gegenüber: die konsolidierte Bilanz der Swissquote Group wies per 31.12.2001 ein Eigenkapital von CHF 51,2 Mio. und eine Nettoliquidität von CHF 55,2 Mio. aus. Die Ergebnisse 2001 der Swissquote Group widerspiegeln die Befindlichkeit von Börsen und Wirtschaft in diesem Jahr. Das zeigt auch die Entwicklung des Börsenkurses der Swissquote Aktie, die vom 1. Januar bis zum 31. Dezember 2001 75 Prozent verloren hat. Der Kurs verlief auf etwas tieferem Niveau, aber weitgehend parallel zum Index des SWX New Market (SMNI).

Swissquote - eine Marke, zwei starke Produkte

Trotz des schwierigen Umfelds hat die Swissquote Group 2001 aber auch Bemerkenswertes geleistet. So gelang es insbesondere, die Marke Swissquote als Synonym für erstklassige Online Financial Services (elektronische Bankdienstleistungen und Internet-Finanzportal) zu verankern. Das Segment erzielte 2001 einen Umsatz von CHF 8,1 Mio. (2000: CHF 8,9 Mio.).

Swissquote Bank - bester Online-Broker

Bei den Bankdienstleistungen stand die erfolgreiche Lancierung der Swissquote Bank im Zentrum. Als einzigem Schweizer Anbieter ist es uns gelungen, eine Internet-Bank zeitgerecht (25. Mai) und auch im ursprünglich angekündigten Kostenrahmen (CHF 20 Mio.) zu realisieren. Der Schwerpunkt der elektronischen Bankdienstleistungen liegt auf dem Online-Wertschriftenhandel, dem Vertrieb von Anlagefonds und dem Forex-Handel. Die Swissquote Bank hat sich als führender unabhängiger Online-Anbieter in der Schweiz etabliert. Trotz schwierigsten Marktverhältnissen steigerte sie ihren Marktanteil am Online-Handel (SWX und virt-x) 2001 von 15 auf 20 Prozent. Besonders erfreulich war im Herbst 2001 die Auszeichnung der Wirtschaftszeitung CASH: Swissquote ist der beste Schweizer Online Broker.

Swissquote - führendes Finanzportal

Das Finanzportal konnte 2001 trotz stagnierendem Markt und zusätzlichen Anbietern sowohl den Marktanteil an der Online-Werbung als auch die Anzahl der Page Views mit 60 Mio. pro Monat oder 3 Mio. pro Arbeitstag im Vergleich zum Vorjahr halten. Swissquote ist damit nach wie vor das mit Abstand am stärksten frequentierte Schweizer Finanzportal. 2001 haben wir das Finanzportal neu und noch benutzerfreundlicher gestaltet. Zudem wurde das Angebot sowohl mit neuen Tools (Runner, Analysis Tools, Warrent chooser, Live intraday), als auch mit zusätzlichen Inhalten (US-Markt, Euronext, AFX News, Research) weiter ausgebaut. Mitte Jahr hat die Swissquote Group entschieden, auf Ende 2001 den Betrieb des französischen Finanzportals einzustellen, da eine Weiterführung nur mit dem Einstieg ins Online Brokerage zu rechtfertigen wäre. In der aktuellen Marktsituation will Swissquote ihre Ressourcen aber nicht zersplittern, sondern alle verfügbaren Mittel auf den Ausbau der Schweizer Online Financial Services konzentrieren.

Web Intelligence - kehrt in die Gewinnzone zurück

Marvel Communications AG, spezialisiert auf die Entwicklung integrierter Web-Lösungen für Internet-Kommunikation und e-Business, erzielte 2001 einen Umsatz von CHF 5,1 Mio. (6,1 Mio.). Als Folge der Marktverschlechterung (Investitionsunlust, Verschiebung oder Redimensionierung von Projekten) verlagerte sich im Jahr 2001 die Nachfrage von der Produktion (Design, Programmierung) verstärkt zur strategischen Beratung und Konzeptentwicklung. Mitte Jahr wurde bei Marvel der Personalbestand auf 50 Stellen plafoniert und gleichzeitig die Beratungskapazität zu Lasten der Produktion weiter ausgebaut. Aufgrund dieser Massnahme und durch den Gewinn von namhaften Neukunden erreichte Marvel im 4. Quartal wieder eine ausgeglichene Rechnung.

Nüchterne Lagebeurteilung, entschiedenes Handeln

Die Swissquote Group rechnet für 2002 nicht mit einer entscheidenden Verbesserung des Marktumfelds für Online Financial Services. Zur deutlichen Reduktion des Verlusts im laufenden Jahr und mit dem Ziel ab 2003 eine kontinuierliche Gewinnentwicklung zu erreichen, haben wir weitreichende Massnahmen eingeleitet, die bis Ende Juni 2002 abgeschlossen, aber erst 2003 voll ertragswirksam sein werden.

- Der Tätigkeitsfokus wird konsequent auf die Online Financial Services (Finanzdienstleistungen und Finanzinformation) gelegt. In diesem Bereich wollen wir unsere Stellung durch die Erhöhung des Marktanteils der Swissquote Bank im Online-Handel sowie den weiteren Ausbau des Angebots bei den Bankdienstleistungen und auf dem Finanzportal verstärken.

- Die Unternehmen der Online Financial Services werden künftig direkt von einem der beiden Gründer als CEO geführt: Swissquote Bank von Marc Bürki und Swissquote Info AG (Internet-Finanzportal) sowie Swissquote Group von Paolo Buzzi.

- Alle technischen und Back-office-Aktivitäten der Swissquote Bank werden am Standort Gland zusammengefasst. In Schwerzenbach wird die Kundenbetreuung mit dem Customer Care konzentriert, da mehr als 80 Prozent aller Kunden in der deutschen Schweiz sind.

- Folge dieser Standortoptimierung ist ein markanter Abbau von 159 auf 110 Stellen. Die beiden Standorte Gland und Schwerzenbach sind davon je hälftig betroffen. Die ausscheidenden Mitarbeiter erhalten eine freiwillige Abgangsschädigung und werden bei der Stellensuche aktiv unterstützt.

- Die Swissquote Bank wird ab 1. März 2002 von Marc Bürki (CEO), Beat O. Trinkler (COO) und Michael Ploog (CFO) geführt.

Alfred Moeckli, bisher CEO, und Alfred Dubach, bisher CIO, haben das Unternehmen per 1. März verlassen, sie begleiten aber die Gesellschaft in der Übergangsphase bis zum 30.6.2002. Der Verwaltungsrat dankt Alfred Moeckli für seine kompetente und engagierte Aufbauarbeit bei der Realisierung der Swissquote Bank und wünscht ihm in seinem künftigen Wirkungskreis viel Erfolg und Erfüllung.

2003 in der Gewinnzone

Im Geschäftsjahr 2002 wird die Rechnung der Swissquote Group mit Restrukturierungskosten in der Grössenordnung von CHF 7.5 Mio. belastet. Für das zweite Halbjahr 2003, wenn die eingeleiteten Massnahmen zur Kostensenkung voll ertragswirksam sind, rechnet Swissquote mit einem ausgeglichenen EBITDA (Gewinn vor Zinsen, Steuern, Abschreibungen und Amortisation). Das heisst, dass ab 2004 ein nachhaltiger Gewinn erwartet werden kann.

Veränderungen im Verwaltungsrat

Auf der Generalversammlung vom 18. April 2002 treten Jean Pfau, Präsident, und Tito Tettamanti aus dem Verwaltungsrat zurück. Der Verwaltungsrat dankt den beiden Herren für ihr hohes Engagement für die Swissquote Group. Marc Bürki verlässt den Verwaltungsrat der Swissquote Group Holding AG auf den gleichen Zeitpunkt, weil sein Mandat aufgrund des schweizerischen Bankengesetzes nicht mit seiner neuen Führungsfunktion bei der Swissquote Bank vereinbar ist. Der Verwaltungsrat schlägt der Generalversammlung vom 18. April 2002 die Zuwahl von Peter Brogle und Paul E. Otth vor.

Peter Brogle (60), seit 1998 selbstständiger Management-Berater, hat seine Karriere bei IBM Schweiz gestartet, bevor er bei der Denner Holding die Geschäftsführung übernommen hat. Zurück in den technologischen Bereich war er Verwaltungsratsmitglied bei AT&T Schweiz, mit dem Auftrag, die Übernahme durch NCR zu leiten. Er ist zur Zeit Verwaltungsratspräsident der Simultan Holding/redIT Holding, E-Banking Solutions und Supplitel.

Paul Erich Otth (58), ist Chief Financial Officer (CFO) und Geschäftsführungsmitglied der Unaxis seit dem 1. Juni 2000. Er war zuvor als CFO in verschiedenen Unternehmen der Landis & Gyr Gruppe tätig, in welcher u.a. Elektrowatt und Siemens Building Technologies vertreten sind. Herr Otth ist im Verwaltungsrat der SBB, der Esec Holding und der Inficon Holding.

Neuer Präsident des Verwaltungsrats wird ab 1. April 2002 Mario Fontana. Das neu formierte Gremium vereint Erfahrung und Know-how aus dem Bank- und Finanzwesen, der Informationstechnologie, dem Marketing und der Kommunikation sowie insbesondere der Unternehmensführung.

Dank

Im Namen des Verwaltungsrats und des Managements danken wir den Kunden und Aktionären der Swissquote Group für ihr Vertrauen. Allen Mitarbeiterinnen und Mitarbeitern danken wir für ihren Einsatzwillen und die Bereitschaft, auch in hektischen Zeiten und in einem schwierigen Umfeld Ausserordentliches zu leisten. Unseren Kooperationspartnern gilt unser Dank für ihre Mitwirkung und Unterstützung bei der Verwirklichung unserer Ziele.



Jean Pfau

Verwaltungsratspräsident

PS: Als Konsequenz aus dem Kostensenkungsprogramm hat sich der Verwaltungsrat entschlossen, den Geschäftsbericht 2001, ohne inhaltliche Abstriche, so kostensparend wie möglich zu produzieren. Der ausführliche Finanzbericht steht Ihnen im PDF-Format auf <http://group.swissquote.com> zur Verfügung oder Sie können ein gedrucktes Exemplar bei uns bestellen.

Chères Actionnaires, chers Actionnaires

2001: résultats conformes aux dernières prévisions

L'année 2001 restera marquée par le succès du lancement de Swissquote Bank en dépit de conditions défavorables sur les marchés financiers. Au printemps dernier, Swissquote tablait sur un redémarrage de l'activité sur les places financières dans le courant du deuxième semestre 2001. Ce redémarrage ne s'est pas produit. Au contraire, les marchés ont poursuivi leur chute, touchant le fond le 11 septembre. Nous avons revu et corrigé nos prévisions pour 2001 lors de la présentation des résultats du premier semestre: CHF 13 millions de chiffre d'affaires pour une perte de CHF 18 millions. Les résultats annuels correspondent à ceux annoncés au deuxième trimestre 2001, soit un chiffre d'affaires de CHF 13,2 millions et une perte nette de CHF 17,9 millions. La solidité financière du Groupe permet de faire face à ce résultat d'exploitation insuffisant. Au 31.12.2001, les fonds propres de Swissquote Group s'élevaient à CHF 51,2 millions et les liquidités à CHF 55,2 millions.

Les résultats de Swissquote Group en 2001 sont le reflet du climat boursier et économique sur cette période. L'action SQN n'a pas été épargnée par cette conjoncture difficile, puisqu'elle a perdu près de 75% de sa valeur entre le 1er janvier et le 31 décembre 2001. Le cours de l'action SQN a globalement suivi une évolution parallèle à celle de l'indice du SWX New Market (SNMI).

Swissquote - une marque, deux produits phares

Malgré le contexte économique difficile, l'année 2001 a vu Swissquote poursuivre son remarquable développement. La marque Swissquote est unanimement reconnue. Elle est aujourd'hui synonyme d'excellence dans le domaine des services financiers en ligne (services bancaires et portail d'informations financières). Ce segment d'activité de Swissquote Group a généré un chiffre d'affaires de CHF 8,1 millions (2000: CHF 8,9 millions).

Swissquote Bank - meilleur broker en ligne

Le lancement de Swissquote Bank au mois de mai dernier reste le moment fort de l'année 2001. Pour la première fois, une banque 100% Internet a été réalisée en Suisse dans les délais (25 mai) et le cadre budgétaire prévus (CHF 20 millions). Notre offre de services bancaires se concentre sur le négoce en ligne de titres, l'offre de fonds de placement et les transactions de change. Swissquote Bank est aujourd'hui le principal prestataire indépendant de services financiers en ligne en Suisse. En 2001, Swissquote Bank a augmenté de 15 à 20% sa part de marché (transactions en ligne sur SWX et virt-x). Elle a reçu en septembre la distinction de "meilleur broker en ligne de Suisse" par le magazine économique CASH.

Swissquote - leader de l'information financière en ligne

Sur le portail d'informations financières, les objectifs en matière de publicité en ligne et de fréquentation du site ont été atteints malgré la stagnation du marché et le nombre croissant de prestataires dans ce domaine. Fin 2001, avec 60 millions de pages vues par mois, soit près de 3 millions par jour ouvrable, Swissquote demeurait de loin le portail financier le plus fréquenté de Suisse.

Au cours de cette année, nous avons développé de nouveaux outils et rendu le site encore plus attrayant. L'offre a notamment été étoffée dans le secteur des outils financiers (Runner, Warrant Chooser, Analysis Tools et Live Intraday) et enrichie au niveau du contenu (marchés US, Euronext, News AFX et Research).

Mi 2001, Swissquote Group a décidé de se désengager du marché français. Bien que le portail français rencontrait un succès indéniable en terme de fréquentation, son maintien ne se justifiait que dans la perspective de son ouverture à des activités de courtage en ligne en France. Compte tenu des conditions régnant sur ce marché, nous avons décidé de nous concentrer sur le marché suisse.

Web Intelligence: retour à l'équilibre au 4e trimestre

Le chiffre d'affaires de Marvel Communications SA, spécialiste du développement de solutions Web intégrées pour la communication sur Internet et l'e-business, s'est élevé à CHF 5,1 millions en 2001 (CHF 6,1 millions en 2000). En raison de l'évolution de la demande, Marvel Communications a adapté son offre de prestations. Tout en maintenant l'efficace appareil de production (design, programmation), l'entreprise basée à Gland a développé ses prestations de consulting et le développement de concepts innovateurs. Après la restructuration intervenue en cours d'année, l'effectif de la société a été ramené à 50 personnes. Ces mesures, ainsi que l'acquisition de nouveaux clients prestigieux, ont permis à Marvel d'atteindre le seuil de rentabilité au 4e trimestre.

Appréciation prudente de la situation, mesures correctives

Swissquote Group ne prévoit pas de redressement notable des marchés de services financiers en ligne pour 2002. Pour répondre à cette situation, le Groupe a adopté un paquet de mesures dont le but est de réduire les pertes de l'exercice en cours et d'assurer un rétablissement de la rentabilité d'ici 2003. La mise en oeuvre de ces mesures sera achevée en juin 2002 et elles déploieront leur plein effet à partir de 2003. Ces mesures sont les suivantes:

- Swissquote Group a décidé de se concentrer sur les services financiers en ligne (services bancaires et portail d'informations financières). Dans ce domaine, Swissquote veut renforcer sa position: augmentation des parts de marché de Swissquote Bank dans le brokerage en ligne, offres élargies des services bancaires et sur le portail financier.
- Les fondateurs de Swissquote prennent la direction des activités de services financiers en ligne. Marc Bürki dirige Swissquote Bank et Paolo Buzzi Swissquote Info ainsi que le Groupe.
- Toutes les activités technologiques et de back-office sont concentrées à Gland. La gestion clientèle et le Customer Care sont maintenues à Schwerzenbach, plus de 80% des clients de Swissquote Bank étant domicilié en Suisse alémanique.
- Cette optimisation des ressources a une répercussion immédiate, l'effectif total passant de 159 à 110 collaborateurs. Ces suppressions de postes vont affecter tant la succursale de Schwerzenbach que le siège de Gland. Les collaborateurs touchés ont reçu une indemnité de départ et sont activement soutenus dans la recherche d'un nouvel emploi.
- Depuis le 1er mars 2002, la direction générale de Swissquote Bank est composée de Marc Bürki (CEO), Beat O. Trinkler (COO) et Michael Ploog (CFO). Alfred Moeckli et Alfred Dubach, respectivement CEO et CIO de Swissquote Bank depuis son lancement, ont quitté l'entreprise le 1er mars. Ils demeurent toutefois à disposition de la société durant une phase de transition jusqu'au 30 juin. Le Conseil d'Administration tient à les remercier pour leur engagement et l'excellent travail accompli pour le lancement de la banque. Nous leur souhaitons beaucoup de succès pour la suite de leur carrière.

Rétablissement de la rentabilité en 2003

La restructuration en cours affectera les résultats de Swissquote Group en 2002. Le coût du programme est estimé à CHF 7,5 millions. Son but est de permettre d'atteindre un EBITDA (bénéfice avant intérêts, impôts et amortissements) équilibré dès le deuxième semestre 2003. Le retour à une situation bénéficiaire durable est attendu à partir de 2004.

Changements au sein du Conseil d'Administration

Messieurs Jean Pfau et Tito Tettamanti ne solliciteront pas le renouvellement de leur mandat lors de l'Assemblée Générale du 18 avril prochain. Le Conseil d'Administration les remercie pour leur contribution au développement du Groupe. Suite à sa nomination en tant que CEO de Swissquote Bank, Marc Bürki s'est retiré du Conseil d'Administration afin de se conformer aux dispositions bancaires sur le cumul des fonctions. L'élection de deux nouveaux administrateurs, Peter Brogle et Paul Otth, sera proposée lors de l'Assemblée Générale.

Conseiller en management indépendant depuis 1998, Peter Brogle (60) a débuté sa carrière chez IBM Suisse, avant de prendre la direction de la Holding Denner. De retour dans le domaine technologique, il a siégé au Conseil d'Administration de AT&T Suisse avant de piloter, sur mandat, la reprise de cette entité par NCR. Il préside actuellement le Conseil d'Administration de Simultan Holding/redIT Holding, E-Banking Solutions et Supplitel.

Chief Financial Officer (CFO) et membre de la Direction d'Unaxis depuis le 1er juin 2000, Paul Erich Otth (58) a précédemment occupé le poste de CFO dans différentes entreprises du groupe Landis & Gyr, Elektrowatt et Siemens Building Technologies. Il est membre du Conseil d'Administration des CFF, de Esec Holding et Inficon Holding.

Mario Fontana assurera la présidence du Conseil d'Administration dès le 1er avril 2001. Le Conseil d'Administration réunira des membres disposant d'une expérience reconnue dans les domaines bancaire et financier, de la technologie de l'information, du marketing, de la communication et de la direction d'entreprise.

Remerciements

Au nom du Conseil d'Administration et de la Direction, nous tenons à remercier les clients et actionnaires de Swissquote Group de leur confiance. Nous remercions également tous les collaborateurs et collaboratrices pour l'engagement et la disponibilité remarquables dont ils ont fait preuve durant cette période et dans ce contexte difficile. Enfin, nous remercions nos partenaires pour leur collaboration et leur contribution à l'atteinte de nos objectifs.



Jean Pfau

Président du Conseil d'Administration

PS: Conséquence directe du programme de réduction des coûts et suite à la décision du Conseil d'Administration, le rapport de gestion 2001 ne sera pas imprimé en grand nombre afin de limiter les frais. Vous trouverez le rapport 2001 au format PDF à l'adresse Internet: <http://group.swissquote.com> et sur demande, nous vous fournirons volontiers un exemplaire imprimé.

KEY FIGURES

	31.12.01	31.12.00
BUSINESS OPERATIONS in CHF 1,000		
Revenues Swissquote Group	13,220	15,052
Change in %	-12.2%	+156.6%
Revenues Online Financial Services	8,109	8,968
Change in %	-9.6%	+262.4%
Revenues Web Intelligence	5,800	6,084
- of which third parties	5,111	6,084
- of which Group	689	-
Change in % (third parties)	-16.0%	+84.6%
Operating loss including depreciation	(25,237)	(4,995)
Net loss	(17,921)	(3,074)
CASH FLOW in CHF 1,000		
Cash from financing activities	5,451	84,819
Cash used in investing activities	(10,194)	(5,080)
BALANCE SHEET in CHF 1,000		
Net liquidity	55,170	81,338
Shareholders' equity and minority interests	65,447	85,137
Equity ratio in % (including minority interests)	48.7%	93.2%
KEY DATA ON THE SHARE		
No. of shares issued	1,376,030	1,350,000
Share capital (in CHF 1,000)	13,760	13,500
Loss per share	(13.19)	(3.37)
STATISTICS		
Average number of employees	158	89
No. of online clients (Swissquote Bank & Swissquote Trade)	10,199	8,435
-Swissquote Bank	9,419	-
-Swissquote Trade (in the process of transfer to Swissquote Bank)	780	-
-Swissquote Trade	-	8,435

KENNZAHLEN

ALL AMOUNTS IN SWISS FRANCS

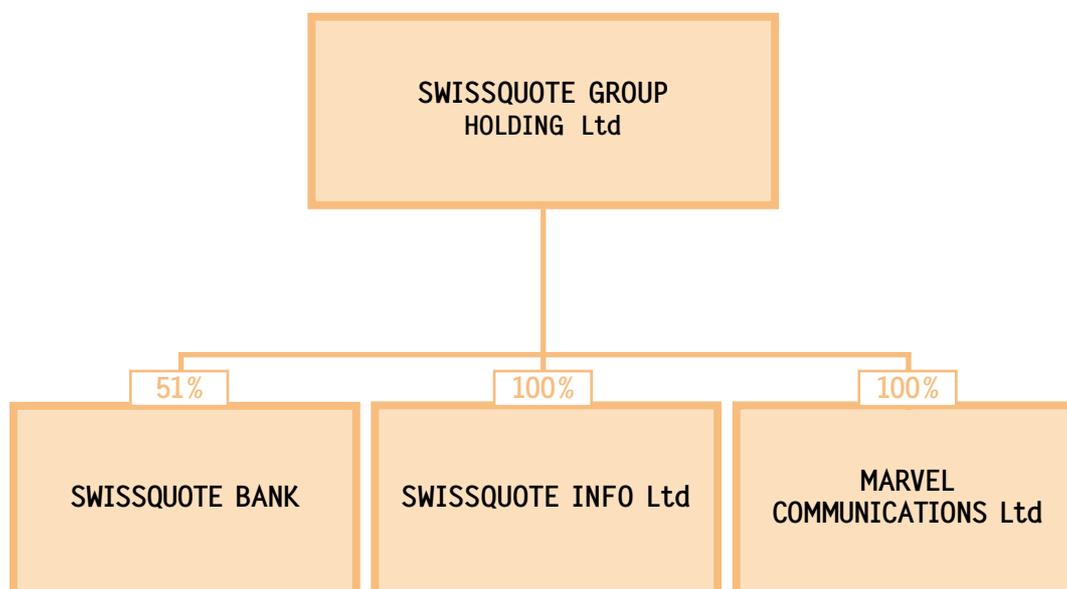
	31.12.01	31.12.00
OPERATIVE TÄTIGKEIT in CHF 1,000		
Umsatz Swissquote Group	13,220	15,052
Veränderung in %	-12.2%	+156.6%
Umsatz Online Financial Services	8,109	8,968
Veränderung in %	-9.6%	+262.4%
Umsatz Web Intelligence	5,800	6,084
- wovon mit Dritten	5,111	6,084
- wovon mit Gruppe	689	-
Veränderung in % (nur mit Dritten)	-16.0%	+84.6%
Betriebsverlust inkl. Abschreibungen	(25,237)	(4,995)
Reinverlust	(17,921)	(3,074)
CASH FLOW in CHF 1,000		
Geldfluss aus Finanzierungsaktivitäten	5,451	84,819
Geldfluss aus Investitionsaktivitäten	(10,194)	(5,080)
BILANZ in CHF 1,000		
Nettoliquidität	55,170	81,338
Eigenkapital und Minderheitsanteile	65,447	85,137
Eigenkapitalquote in % (inklusive Minderheitsanteile)	48.7%	93.2%
AKTIENKENNZIFFERN		
Anzahl ausgegebener Aktien	1,376,030	1,350,000
Aktienkapital (in CHF 1,000)	13,760	13,500
Verlust pro Aktie	(13.19)	(3.37)
STATISTISCHE ANGABEN		
Anzahl Mitarbeiter (Durchschnitt)	158	89
Anzahl Kunden (Swissquote Bank & Swissquote Trade)	10,199	8,435
-Swissquote Bank	9,419	-
-Swissquote Trade (in Übertragungsverfahren zur Swissquote Bank)	780	-
-Swissquote Trade	-	8,435

CHIFFRES CLÉS

	31.12.01	31.12.00
RÉSULTATS OPÉRATIONNELS en 1,000 CHF		
Chiffre d'affaires du Groupe	13,220	15,052
Variation en %	-12.2%	+155.6%
Chiffre d'affaires du segment Services financiers en ligne	8,109	8,968
Variation en %	-9.6%	+262.4%
Chiffre d'affaires Web Intelligence	5,800	6,084
- Dont réalisé avec des tiers	5,111	6,084
- Dont réalisé avec le Groupe	689	-
Variation en % (tiers seulement)	-16.0%	+84.6%
Perte d'exploitation (après amortissements)	(25,237)	(4,995)
Perte nette	(17,921)	(3,074)
CASH FLOW en CHF 1,000		
Flux de trésorerie provenant des activités de financement	5,451	84,819
Flux de trésorerie concacré aux activités d'investissement	(10,194)	(5,080)
BILAN en CHF 1,000		
Liquidités nettes	55,170	81,338
Fonds propres et parts des minoritaires	65,447	85,137
Part des fonds propres en % (y compris les interêts minoritaires)	48.7%	93.2%
L'ACTION EN CHIFFRES		
Nombre d'actions	1,376,030	1,350,000
Capital-action (1,000 CHF)	13,760	13,500
Perte par action	(13.19)	(3.37)
DONNÉES STATISTIQUES		
Nombre moyen de collaborateurs	158	89
Nombre de clients (Swissquote Bank & Swissquote Trade)	10,199	8,435
-Swissquote Bank	9,419	-
-Swissquote Trade (transférés à Swissquote Bank)	780	-
-Swissquote Trade	-	8,435

ORGANISATION

Legal structure



Board

At 31 December 2001

Jean Pfau, Chairman (*1)
 Tito Tettamanti (*1)
 Mario Fontana
 Marc Burki (*2)
 Paolo Buzzi

Proposed for election at the 18 April 2002 AGM (*4)

Mario Fontana, Chairman (*3)
 Peter Broghe
 Paul Otth
 Paolo Buzzi

(*1) Jean Pfau and Tito Tettamanti will not seek a reelection at the 18 April 2002 AGM.

(*2) Marc Burki announced his resignation from the board with effect on 28 February 2002, further to his new position as CEO of Swissquote Bank.

(*3) Mario Fontana was elected Chairman of the Board of Directors in replacement of Jean Pfau on 1 April 2002.

(*4) All board members proposed for (re)election are non-executive except Paolo Buzzi who is Group CEO and CEO of Swissquote Info Ltd.

Management (1 March 2002)

Paolo Buzzi	CEO Swissquote Group CEO Swissquote Info Ltd
Marc Burki	CEO Swissquote Bank
Michael Ploog	CFO Swissquote Group CFO Swissquote Bank
Beat Trinkler	COO Swissquote Bank
Jérôme Pernin	COO Marvel Communications Ltd

PART #2 FINANCIAL REPORTS 2001

A

**CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS
ENDED 31 DECEMBER 2001 AND 2000**

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CONSOLIDATED BALANCE SHEET

	Notes	2001	2000
ASSETS			
Current assets			
Cash and balances with central bank	1	2,863,263	6,337,957
Due from other banks	1	116,916,027	75,000,000
Receivables and prepayments	2	3,703,317	3,241,199
Work in progress		246,306	366,160
		<u>123,728,913</u>	<u>84,945,316</u>
Non-current assets			
Property, plant and equipment	3	10,515,177	5,036,971
Other long term assets	4	976,978	199,928
Deferred tax assets, net	5	1,188,940	1,188,940
		<u>12,681,095</u>	<u>6,425,839</u>
Total assets	15	<u>136,410,008</u>	<u>91,371,155</u>
LIABILITIES AND EQUITY			
Current liabilities			
Due to other banks	1	2,085,512	-
Due to Swissquote Bank's customers	6	62,523,383	-
Trade and other payables	7	5,353,443	6,234,233
Total liabilities	15	<u>69,962,338</u>	<u>6,234,233</u>
Minority interest	9	<u>13,281,443</u>	<u>14,121,950</u>
Equity	10		
Ordinary shares		13,760,300	13,500,000
Share premium and reserves		62,125,044	61,790,034
Treasury shares		(527,727)	-
Translation differences		-	(4,571)
Accumulated losses		(22,191,390)	(4,270,491)
Total equity		<u>53,166,227</u>	<u>71,014,972</u>
Total liabilities and equity		<u>136,410,008</u>	<u>91,371,155</u>

ALL AMOUNTS IN SWISS FRANCS

CONSOLIDATED STATEMENT OF OPERATIONS

	Notes	2001	2000
OPERATING REVENUES	11/15	13,219,974	15,051,692
OPERATING EXPENSES			
Payroll and related expenses	12	17,518,009	8,859,515
Production expenses		3,828,403	2,912,613
Marketing expenses		5,742,827	2,685,384
Administration and other operating expenses		6,004,082	3,083,626
Discontinued operations	13	1,953,130	1,647,886
Total operating expenses	14	35,046,451	19,189,024
Operating loss before depreciation		(21,826,477)	(4,137,332)
Depreciation and amortisation		(3,410,466)	(857,262)
Loss from operating activities	15	(25,236,943)	(4,994,594)
Financial income, net	16	1,625,076	1,233,588
Loss before tax		(23,611,867)	(3,761,006)
Income tax credit, net	5	-	321,548
Loss after tax		(23,611,867)	(3,439,458)
Minority interest	9	5,690,968	365,411
Net loss		(17,920,899)	(3,074,047)
<i>Loss per share</i>	17	(13.19)	(3.37)

ALL AMOUNTS IN SWISS FRANCS

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share Capital	Share Premium & Reserves	Accumulated Losses	Treasury Shares	Translation Difference	Total
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)
At 31 December 2000	13,500,000	61,790,034	(4,270,491)	-	(4,571)	71,014,972
At 1 January 2001	13,500,000	61,790,034	(4,270,491)	-	(4,571)	71,014,972
Net capital increase resulting from the exercise of stock options	260,300	390,450	-	-	-	650,750
Net cost relating to the issue of new shares (including Swissquote Bank)	-	(55,440)	-	-	-	(55,440)
Other movements resulting from:						
- Discontinuation of Swissquote France SAS	-	-	-	-	4,571	4,571
- Treasury shares	-	-	-	(527,727)	-	(527,727)
Net loss	-	-	(17,920,899)	-	-	(17,920,899)
At 31 December 2001	13,760,300	62,125,044	(22,191,390)	(527,727)	-	53,166,227

CONSOLIDATED CASH FLOW STATEMENT

	Notes	2001	2000
OPERATING ACTIVITIES			
Operating loss before depreciation		(21,826,477)	(4,137,332)
Change in working capital:			
Receivables and prepayments		(462,118)	(2,321,985)
Work in progress		119,854	153,840
Trade and other payables		(880,790)	4,374,601
Due to Swissquote Bank's customers		62,523,383	-
Cash from (used in) operations		39,473,852	(1,930,876)
Interest received		1,625,076	1,283,588
Interest paid		-	(15,579)
Net cash from (used in) operating activities		41,098,928	(662,867)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	3	(8,870,055)	(4,879,139)
Investments in other long term assets		(796,629)	(201,221)
Purchased treasury shares		(527,727)	-
Net cash used in investing activities		(10,194,411)	(5,080,360)
FINANCING ACTIVITIES			
Proceeds of issue of ordinary shares		650,750	77,609,350
Proceeds of issue of ordinary shares to the Minority shareholders in Swissquote Bank	9	4,900,000	14,700,000
Capital increase cost paid		(99,446)	(7,490,007)
Net cash from financing activities		5,451,304	84,819,343
INCREASE IN CASH AND CASH EQUIVALENTS		36,355,821	79,076,116
MOVEMENT IN CASH AND CASH EQUIVALENTS			
At start of year		81,337,957	2,261,841
Increase		36,355,821	79,076,116
At end of year	1	117,693,778	81,337,957

Non-cash transaction in 2000: conversion of CHF 2,000,000 convertible loans (Note 8).

I. GENERAL INFORMATION

Swissquote Group Holding Ltd (“the Company”) and its subsidiaries (“the Group”) provide Internet services in two business segments :

- Online Financial Services – At 31 December 2001 Online Financial Services consist of the services provided by Swissquote Bank and the swissquote.ch financial web portal. Swissquote Bank was formed on 24 November 2000. From the date of formation until 24 May 2001, its operations consisted in developing its organization and IT systems. Its commercial operations started on 25 May 2001. The bank offers the following services: online trading on the SWX, virt-x, the US markets (AMEX, Nasdaq and Nyse), the distribution of investment funds and foreign exchange. The swissquote.ch web portal provides real-time and deferred quotes from the above-mentioned stock markets as well as other financial and selection tools. These services are used by Swissquote Bank and its clients as well as by a broad public. Swissquote.ch offers to advertisers banner advertising and e-publishing space. During 2001, the operations of the web portal in France and the online trading services of Swissquote Trade were discontinued. The clients of the latter were offered to transfer their accounts to Swissquote Bank.
- 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). The average headcount of the Group was 158 in 2001 (2000: 89).

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 are 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 at 31 December 2001 consists of 1,376,030 ordinary shares of CHF 10 nominal value (2000: 1,350,000). There is also a conditional and an authorised share capital. Details are stated in Note 10.

The main shareholders are:

Mr. Jean Pfau	17.5 %
Mr. Marc Bürki	17.4 %
Mr. Paolo Buzzi	17.5 %
Mr. Alfred Moeckli	7.0 %

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

At 31 December 2001, the free float is 80.1 %. The non-tradable shares belong to the above-mentioned shareholders and represent an aggregate of 273,890 shares (19.9%) that are subject to a lock-up agreement which provides that these shares cannot be traded until 29 May 2002.

II. ACCOUNTING POLICIES

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

The consolidated financial statements were approved by the Board of Directors of the Company on 20 February 2002.

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 as modified by the revaluation of financial assets and financial liabilities held for trading and all derivative contracts.

In 2001, the Group adopted IAS 39 Financial Instruments: Recognition and Measurement. Due to the nature and the scope of the Group's operations, this adoption has not resulted in any material change.

B. Consolidation

b1. List of consolidated subsidiaries

Subsidiaries	Headquarters / country	Interest	
		2001	2000
Swissquote Info Ltd	Gland / Switzerland	100%	100%
Swissquote Bank	Gland / Switzerland (*1)	51%	51%
Swissquote Trade Ltd	Gland / Switzerland(*2)	100%	100%
Swissquote France SAS	Paris / France(*3)	-	100%
Marvel Communications Ltd	Gland / Switzerland	100%	100%

(*1) 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 ("the 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 financial statements of Swissquote Bank prepared in accordance with the Group's 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.

(*2) On 31 December 2001, Swissquote Trade Ltd became dormant after its operations were transferred to Swissquote Bank on 30 November 2001.

(*3) On 14 December 2001, Swissquote France SAS was liquidated further to the decision to discontinue its operations.

b2. Subsidiary undertakings

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 costs cannot be recovered. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

II. ACCOUNTING POLICIES

C. Foreign currency translation

Income statements of foreign entities are translated into the Group's reporting currency at the 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.

D. Derivative financial instruments and hedging

Derivative financial instruments include foreign exchange contracts, interest rate futures, forward rate agreements, currency and interest rate swaps, interest rate options and other derivative financial instruments. They are initially recognised in the balance sheet at cost and subsequently are remeasured at their fair value. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. There were no derivative financial instruments entered into in the ordinary course of the Group's operating activities.

E. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

F. Interest income and expense

Interest income and expense are recognised in the income statement for all interest bearing instruments on an accrual basis using the effective yield method based on the actual purchase price. Interest income includes coupons earned on fixed income investment and trading securities and accrued discount and premium discounted instruments.

G. Fee and commission income / expenses

Fees and commissions are recognised on an accrual basis.

H. Trading securities

Trading securities are securities that were either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio in which pattern of short-term profit taking exists. Trading securities are initially recognised at cost (which includes transaction costs) and subsequently re-measured at fair value based on quoted bit prices. All related realized and unrealized gains and losses are included in net trading income. Interest earned whilst holding trading securities is reported as interest income. Dividends received are included in dividend income. All purchases and sales of trading securities are recognised at trade date.

I. Software development costs

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. However, expenditure that enhances or extends the benefits of computer software programmes beyond their original specifications and lives is recognised as a capital improvement and added to the original cost of the software. Computer software development costs recognized as assets are amortised using the straight-line method over their useful lives but not exceeding a period of three years (non-bank related software) and five years (bank related software).

II. ACCOUNTING POLICIES

J. 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:

Banking software	5 years
IT hardware and other software	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.

K. Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of these assets is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of individual assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in the prior years. A reversal of an impairment loss is recognised immediately as income.

L. 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.

M. Trade receivables

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

N. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than 90 days maturity from the date of acquisition including: cash and balances with the Swiss Central Bank, amounts due from and to other banks and trading securities.

O. Pension obligations

The Group operates defined contribution plans in accordance with IAS 19. The pension plans are funded by employee and employer contributions, based on the plan regulations. The contributions are charged to the income statement in the year to which they relate.

II. ACCOUNTING POLICIES

P. 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.

Q. 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 and amortisation as well as from tax losses carried forward. Deferred tax assets relating to tax losses carried forward, are recognised to the extent that taxable profits are expected to be generated in the future and will be offset by the tax losses carried forward.

R. Treasury stock

Where the Company or its subsidiaries purchase the Company's share capital or obtain rights to purchase its share capital, the consideration paid including any attributable transaction costs net of income taxes is shown as a deduction from total shareholders' equity.

III. FINANCIAL RISK MANAGEMENT

A. Scope of Swissquote Group operations and strategy

The Group's operations consist of:

- selling advertising space and web intelligence consulting services to reputable customers mainly in Swiss Francs.
- investing its cash that it placed in the form of short-term deposits with substantial financial institutions.
- operating a Bank that (as part of its online financial services offering) accepts deposits from its customers in CHF, USD and EUR in current account form. The interest rate paid, if any, is fixed at the discretion of the Bank and may be changed at any time without advance notice. The Bank seeks to earn an interest margin by investing these funds in high quality short-term assets. These assets consist entirely of fixed rate deposits with other banks with maturities up to 90 days and of tradable bonds.

The Bank does not carry out other banking activities. In particular it does not:

- provide commercial lendings, retail borrowings, credit related commitments such as guarantees and standby letters of credit.
- provide fiduciary activities such as trustee, corporate administration, investment management and advisory services to third parties.
- trade in financial instruments where it takes positions in traded and over the counter instruments including derivatives to take interest of short-term market movements in the equity and bond markets and interest rate and commodity prices, with the exception of spot currency positions in USD and EUR.

The Board of directors of the Bank places currency trading limits for both overnight and intra-day positions. A detailed risk management manual is reviewed by the Board on a regular basis. The Bank does not enter into material hedging activity and derivatives.

The Group has no long-term indebtedness.

B. Credit risk

The Group manages its credit risk through a careful analysis of the credit worthiness of its clients and counterparties and by investing its cash in the form of short-term deposits with substantial institutions.

The Bank takes on exposure to credit risk mainly in the form of "counterparty settlement risk". The risk is limited as all counterparties are typically members of a recognized stock exchange. All transactions are concluded in a settlement cycle of maximum three days and are "delivery against payment" thus further reducing the exposure. The entire list of counterparties is reviewed and approved by the Board of directors.

C. Interest rate risk

The Group exposure to changes in market interest rates is limited. The Bank takes no exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce the level of income in the event that unexpected movements arise. In the future, it may be possible that the Bank will engage in longer-term deposits. The Board of directors will set limits on the level of mismatch of interest rate repricing that may be undertaken, which will be monitored daily.

D. Currency risk

Due to the fact that the Group's operations are mainly denominated in Swiss Francs, the Group has no material exposure to currency fluctuation.

III. FINANCIAL RISK MANAGEMENT

The Bank takes on exposure to effects of fluctuations in the prevailing foreign currency, exchange rates on its financial position and cash flows. The Board of Directors sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are constantly monitored. In relation to the balance sheet the exposure is not material.

E. Liquidity risk

The Bank is exposed to daily withdrawals on its available cash resources from overnight deposits, current accounts and maturing deposits. The Bank does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

F. Capital adequacy

The Group's and Bank's capital adequacy are determined based on the principles defined in the Federal Law on Banks and Savings Banks and the Implementing Ordinance on Banks and Savings Banks.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and cash equivalents

	2001	2000
Cash and balances with central bank	2,863,263	6,337,957
Due from other banks	116,916,027	75,000,000
Due to other banks	(2,085,512)	-
Total net	117,693,778	81,337,957

Most short-term deposits are in Swiss Francs and maturities do not generally exceed one month.

The Group's total short-term borrowing facilities amount to CHF 800,000 (2000: CHF 800,000) and are in the form of overdraft facilities. If drawn down, CHF 500,000 (2000: CHF 500,000) of the overdraft facilities are secured by the pledge of trade account receivable and CHF 300,000 (2000: CHF 300,000) is unsecured. Overdrafts are charged at an interest rate of 7.5 % (2000: 6.8 %) per annum. The Group did not use these facilities in 2001 and 2000.

The balance due to other Banks represents funds in transit relating to the completion of the transfer of the former Swissquote Trade / RBC customers to Swissquote Bank.

2. Receivable and prepayments

	2001	2000
Trade receivables	2,213,458	1,903,153
Due from Swissquote Bank's customers	121,267	-
Other receivables and prepaid costs	1,368,592	1,338,046
	3,703,317	3,241,199

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

At 31 December 2001, other receivables mainly include recoverable withholding taxes and prepaid operating costs.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Property, plant and equipment

	IT systems	Others	Total
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
Year ended 31 December 2001			
Opening net book amount	2,886,981	2,149,990	5,036,971
Addition	7,637,237	1,232,818	8,870,055
Depreciation	(2,819,606)	(572,243)	(3,391,849)
Closing net book amount	7,704,612	2,810,565	10,515,177
At 31 December 2001			
Cost	11,854,332	3,571,180	15,425,512
Accumulated depreciation	(4,149,720)	(760,615)	(4,910,335)
Net book amount	7,704,612	2,810,565	10,515,177

IT systems mainly consists of hardware and software. An amount of CHF 1,884,480, representing own cost was capitalized in 2001 (2000 : CHF 249,914).

4. Other long-term assets

Other long-term assets mainly consist of deposits in the form of bonds, that are pledged in favour of third parties.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. Deferred tax assets, net

	2001	2000
Deferred tax assets		
Tax loss carried forward	654,164	654,164
Temporary differences	769,985	769,985
Total	1,424,149	1,424,149
Deferred tax liabilities		
Permanent differences	(5,936)	(5,936)
Temporary differences	(229,273)	(229,273)
Total	(235,209)	(235,209)
Total net	1,188,940	1,188,940
Movements in net deferred taxes analysed as follows:		
Balance, start of period	1,188,940	244,514
Net credit to statement of operations	-	321,548
Net credit / (debit) to share premium and reserves	-	668,680
Net debit to accumulated losses	-	(45,802)
Balance, end of period	1,188,940	1,188,940

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate applicable to the consolidated subsidiary undertakings and which range from 7.8% to 23.7% (2000: 7.8 % to 23.7 %).

The deferred tax assets on tax losses carried forward are stated net of a CHF 2,466,348 (2000: CHF 576,760) provision for impairment of deferred tax assets on tax loss carried forward for which an offset within the carry forward period by future taxable profits is unlikely. Under the current tax laws in Switzerland tax losses may be carried forward up to 6 years.

The principal sources of the changes in temporary differences are the differences 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.

6. Due to Swissquote Bank's customers

More than 90% of the amount due to customers is due to private individuals domiciled in Switzerland (retail customers). Deposits from customers are repayable at sight.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. Trade and other payables

	2001	2000
Trade payables	357,546	2,447,711
Social security and other taxes	2,345,787	1,428,555
Accrued expenses	2,490,957	2,340,551
Deferred revenues	159,153	17,416
	5,353,443	6,234,233

8. 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

	2001	2000
Movements in liability		
Fair value of liability at 1 January	-	1,687,827
Interest expense	-	50,000
Interest paid	-	(15,579)
		1,722,248
Fair value of liability at conversions date	-	(1,722,248)
Conversion	-	
		-
Analysis of conversion	N/A	
Fair value of liability at conversion date		1,722,248
Face value of convertible debt		
Convertible debt 1		(1,000,000)
Convertible debt 2		(1,000,000)
		(2,000,000)
Difference		(277,752)
<i>Analysed as:</i>		
Decrease of share premium and reserves, gross		(277,752)
Plus underlying deferred tax liability		41,663
		(236,089)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. Minority interest

	2001	2000
At beginning of year	14,121,950	-
At formation of Swissquote Bank	-	14,700,000
Capital increase of Swissquote Bank	4,900,000	-
Share of movements in share premium and reserves	(49,539)	(212,639)
Share in net loss	(5,690,968)	(365,411)
At end of year	13,281,443	14,121,950

Minority interest relates to the 49% interest of RBC in the Bank.

10. Equity

A. Structure of capital

<i>Number of shares</i>	Ordinary Shares Issued	Shares For Convertible Loans	Shares For Stock Option Plan	Shares For Authorised Capital	Total Shares Issued and Unissued
At 1 January 2000	227,637	13,658	45,527	-	286,822
Conversion of convertible loans (1)	13,658	(13,658)	-	-	-
Increase resulting from the IPO and related preliminary capital increases (2)	1,108,705	-	74,473	50,000	1,233,178
At 31 December 2000	1,350,000	-	120,000	50,000	1,520,000
At 1 January 2001	1,350,000	-	120,000	50,000	1,520,000
Increase resulting from the exercise of options granted to employees	26,030	-	(26,030)	-	-
At 31 December 2001	1,376,030	-	93,970	50,000	1,520,000

1. 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.

2. 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.

ALL AMOUNTS IN SWISS FRANCS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

B. Stock option plan

The Group operates a Stock Option Plan under which it makes options in common stock available to the Group's employees and directors at the discretion of the Board. The terms of the options offered have varied over the time. The terms of the first and second allocations prevailed until the IPO of the Group in May 2000. Since the IPO, options have been offered under the terms of the third allocation.

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. For both the first and second allocation, one option grants the right to acquire four shares at an exercise price of CHF 100 per option. On 19 February 2001, the Board decided to extend the exercise period of the options exercisable on the first anniversary of the IPO by 6 months.

The options granted under the third allocation are made under the following terms:

- 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 date, the second on the date of the second anniversary of the respective grant date the third tranche on the date of the third anniversary of the respective grant date and the fourth tranche on the date of the fourth anniversary of the respective grant date. Each tranche is exercisable during a period of two years, starting from the date it first becomes exercisable. The exercise prices range from CHF 25.00 to CHF 86.39.

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 allocation (one option giving the right to acquire one share).

	1st Allocation	2nd Allocation	3rd Allocation	Total	Conditional shares available for exercise
Balance on the first day post IPO	29,704	17,916	-	47,620	120,000
Grants	-	-	3,500	3,500	
Lapsed	(5,252)	(3,238)	-	(8,490)	
Balance at 31 December 2000	24,452	14,678	3,500	42,630	
Balance at 1 January 2001	24,452	14,678	3,500	42,630	
Grants	-	-	25,172	25,172	
Exercise	(20,152)	(5,878)	-	(26,030)	(26,030)
Lapsed	(4,300)	(2,195)	(6,216)	(12,711)	
Balance at 31 December 2001	-	6,605	22,456	29,061	(29,061)
<i>Number of conditional shares available for future grants at 31 December 2001</i>					<u>64,909</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

ALL AMOUNTS IN SWISS FRANCS

C. Treasury shares

The Company owns 18,996 shares at 31 December 2001. These shares are the result of the acquisition of 44,916 Swissquote Group shares at a unit price ranging from CHF 17.9 to CHF 36.7 (average cost of CHF 31.00 per share) and of the disposal of 29,950 shares at unit prices ranging from CHF 24.6 to CHF 36.3 (average net price per share of CHF 33.33).

D. 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 2000 and 2001, there are no distributable reserves.

11. Operating revenues

	2001	2000
Brokerage revenues		
Fee and commission income (Swissquote Bank)	2,542,847	-
Fee and commission expense (Swissquote Bank)	(348,568)	-
Retrocession income (Swissquote Trade)	2,830,833	5,745,789
Sub-total, net	5,025,112	5,745,789
Other banking revenues (Swissquote Bank)		
Net interest income	591,252	-
Net trading income	55,800	-
Net other income	66,992	-
Sub-total	714,044	-
Other Swissquote Group revenues		
Advertising	2,369,956	3,192,145
Web intelligence	5,110,862	6,083,758
Sub-total	7,480,818	9,275,903
Total	13,219,974	15,021,692

Brokerage revenues: In order to compare the 2000 and 2001 net brokerage revenues, the following explanation needs to be taken into account:

- In 2000, the brokerage revenues were recorded exclusively by Swissquote Trade Ltd. The revenues were in the form of a retrocession on actual brokerage revenues charged by RBC to the trading customers. The retrocession amounted to approx 59% of the total amount charged by RBC to the customers, in accordance with the contractual arrangements in force with RBC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

- In the period from 1 January to 24 May 2001, the brokerage revenues recorded by the Group were exclusively derived from Swissquote Trade, on the same basis as in 2000 because Swissquote Bank had not yet started its operations.
- In the period from 25 May 2001 to year-end, the brokerage revenues consisted of the retrocessions received by Swissquote Trade from RBC for those customers that had not transferred to Swissquote Bank (date of last transfer 30 November 2001) and of brokerage revenues recorded by the Bank for those clients who had transferred to Swissquote Bank and for new clients, net of retrocession paid to third parties.

As a result and in order to compare the 2000 and 2001 brokerage revenues on an unaudited proforma basis, the 2000 unaudited proforma brokerage revenues would have amounted to CHF 9.7 mio (gross-up of the CHF 5.8 brokerage revenues generated by Swissquote Trade) and the 2001 unaudited proforma net brokerage revenues would have amounted to CHF 7.0 mio (i.e. taking into account the gross-up from 59% to 100% of the CHF 2.8 mio Swissquote Trade revenues to CHF 4.8 mio).

Hence the total unaudited proforma Group revenues would have amounted to CHF 15.2 mio in 2001 compared to CHF 19.0 mio in 2000.

Other 2001 banking revenues mainly derived from the interest spread on customer deposits since the start of the Bank's operations. No such revenues were recorded in 2000, because Swissquote Trade was not entitled to a retrocession on such revenues that were recorded by RBC. Net interest income can be analysed as follows:

	2001
Interest income	
Cash and short-term funds	696,927
Trading securities	136,850
	833,777
Interest expense	
Bank's customers	(242,525)
	591,252
Total net	

12. Payroll & related expenses

	2001	2000
Wages and salaries	16,850,000	8,037,663
Social security costs	2,512,489	1,071,766
	19,362,489	9,109,429
Less capitalised costs	(1,844,480)	(249,914)
Total	17,518,009	8,859,515
<i>Average headcount</i>	158	89

Capitalized costs relate to the realization of the Bank's IT systems.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. Discontinued operations

The liquidation loss of Swissquote France SAS (see accounting policy note IIB above) is analysed as follows:

	2001	2000
Payroll & related	817,688	531,900
Marketing	393,183	552,112
Other operating expenses	742,259	563,874
Total	1,953,130	1,647,886

ALL AMOUNTS IN SWISS FRANCS

14. Total operating expenses

Development costs and start-up costs are expensed when incurred, with the exception of software development costs that are capitalized. 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:

	2001	2000
Total operating costs relating to:		
- Services generating revenues	26,871,351	16,636,338
- Swissquote Bank pre-operating costs	3,121,970	904,800
- Non-recurring costs	3,100,000	-
- Discontinued operations	1,953,130	1,647,886
Total	35,046,451	19,189,024

Other non-recurring costs are relating to various costs born by the Group in connection with:

- The transfer of the Swissquote Trade / RBC customers to Swissquote Bank.
- The reorganization at Marvel Communications Ltd that implied a progressive reduction of the headcount by 20%.
- The transfer of the BB-Trade online customers from Bank am Bellevue.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15. Segment information

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 operating segments.

	Web Intelligence	Online Financial Services	Elimination	Total
At 31 December 2001				
Revenues				
- <i>third parties</i>	5,110,862	8,109,112	-	13,219,974
- <i>inter-segment</i>	688,240		(688,240)	-
Total revenues	5,799,102	8,109,112	(688,240)	13,219,974
Segment result	(1,817,063)	(18,131,357)		(19,948,420)
Discontinued operations			-	(1,953,130)
Unallocated costs				(3,335,393)
Loss from operating activities				(25,236,943)
Financial income, net				1,625,076
Minority interest				5,690,968
Net loss				(17,920,899)
Segment assets	3,308,228	93,917,357	-	97,225,585
Unallocated assets				39,184,423
Consolidated total assets				136,410,008
Segment liabilities	(309,634)	(68,291,351)	-	(68,600,985)
Unallocated liabilities				(1,361,353)
Consolidated total liabilities				(69,962,338)
Capital expenditure	433,941	8,436,114	-	8,870,055
Depreciation and amortisation	360,094	3,050,372	-	3,410,466

Inter-segment revenues exclusively consist of web services provided by Marvel Communications Ltd for the development and the maintenance of the Swissquote Bank web site.

The development of the Bank's system was realized by a specific development team of Swissquote Info Ltd. The operations of this company are included in the online financial services segment.

The CHF 39.2 mio unallocated assets mainly consist of cash and cash equivalents owned by Swissquote Group Holding Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

ALL AMOUNTS IN SWISS FRANCS

	Web Intelligence	Online Financial Services	Elimination	Total
At 31 December 2000				
Revenues	6,083,758	8,967,934	-	15,051,692
Segment result	335,917	(670,707)	-	(334,790)
Discontinued operations				(1,647,886)
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 and amortisation	375,048	480,921	-	855,969

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

16. Financial income

	2001	2000
Interest income	1,625,076	1,283,588
Interest expense: Convertible debt	-	(50,000)
Financial income, net	1,625,076	1,233,588

Interest income derives from cash that Swissquote Group Holding Ltd has invested in short-term deposits. The average interest rate is 2.3% (2000: 3.2%)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

17. 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.

	2001	2000
Net loss	(17,920,899)	(3,074,047)
Weighted average number of ordinary shares in issue	1,359,174	912,675
Basic loss per share	(13.19)	(3.37)

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 potential additional shares under the stock option plan in the diluted earnings per share calculation would result in an anti-dilution.

18. Related party transactions

Balances and transactions with related parties are summarised as follows:

	2001	2000
Revenues	3,121,530	5,833,172
Interest expense on convertible debt	-	25,000
Directors' remuneration, including compensation cost	1,403,595	873,600

19. 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

ALL AMOUNTS IN SWISS FRANCS

20. Commitments

A. Operating leases

Operating lease commitments consist of office space leases payable as follows:

	2001	2000
Not later than 1 year	936,224	665,580
Later than 1 year and not later than 5 years	2,680,128	2,429,872
Later than 5 years	217,926	353,388

B. Others

In the context of the formation of Swissquote Bank, the Company and 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 on 24 May 2006. 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 on 24 May 2006. 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.

21. Pension obligation

The Group’s plans qualify as defined contribution plans and no 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 620,605 (2000: CHF 323,279).

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

22. Swissquote Bank

Swissquote Bank was formed on 24 November 2000. Its shareholders are the Company (51%) and RBC (49%). RBC is a 100% subsidiary of Zurich Financial Services.

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)
- Foreign exchange spot transactions in US Dollar, Euro and Swiss Franc
- Distribution of investment funds managed by reputable fund managers (Fund Shop)

From the date of its formation until 24 May 2001, the operations of the bank consisted in setting-up its organisation and developing its IT infrastructure and no deposits were accepted from customers.

The commercial operations of Swissquote Bank started on 25 May 2001. Swissquote Bank's first priority was to allow customers who had a relationship with RBC / Swissquote Trade Ltd and with BB-trade, an online service of Bank am Bellevue, to transfer their accounts to Swissquote Bank. The transfer of accounts required customers to complete and sign the opening of account documents. Allowing for the time to complete this process, the first transfers of accounts were realised in the third week of June. RBC and Swissquote Trade discontinued their online trading service on 30 November 2001 and customers were invited to transfer their accounts to Swissquote Bank.

Total assets deposited by Swissquote Bank's customers amounted to CHF 307.7 mio at 31 December 2001, of which CHF 62.5 mio in cash and CHF 245.6 mio in securities.

Being a majority owned subsidiary of Swissquote Group Holding Ltd, Swissquote Bank is consolidated in the consolidated financial statements (segment Online Financial Services) of Swissquote Group Holding Ltd and its subsidiaries, which are prepared in accordance to International Accounting Standards. The Swiss Banking Law and related ordinances require banks to prepare their financial statements in accordance with the "Financial statement reporting guidelines of Art. 23 to 27 of the Bank Ordinance (FBC-BAG)". The balance sheet information presented hereafter derives from the audited balance sheet of Swissquote Bank prepared in accordance with the legal requirements referred to in the preceeding paragraph.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

ALL AMOUNTS IN SWISS FRANCS

ASSETS		LIABILITIES AND EQUITY	
Current assets		Current liabilities	
Cash and balances with central bank	2,857,269	Due to other banks	2,085,512
Due from other banks	77,144,693	Due to customers	62,523,383
Due from customers	121,267	Trade and accounts payables:	
Other short-term assets	612,478	- Third parties	2,151,588
		- Group companies	74,770
	80,735,707		66,835,253
Non current assets		Equity	
Property, Plant and Equipments, net	11,626,893	Share-capital	25,000,000
Formation and start-up costs	4,099,269	Share premium	15,000,000
Financial investments	937,636	Accumulated loss	(9,424,791)
Other non-current assets	10,957		
	16,674,755		30,575,209
Total	97,410,462	Total	97,410,462

The main differences between the accounting principle applied in the statutory financial statements of the Bank and those used for the purpose of the consolidation of the Bank in the Group accounts are as follows:

- Formation and start-up costs : In the statutory financial statements, these costs are capitalized and amortised over 5 years (straight line).
- Deferred taxes: no deferred tax assets and liabilities are recognized in the statutory financial statements.

Further the period covered by the statutory financial statements is from the date of formation on 24 November 2000 to 31 December 2001.

The following tables analyse the Bank's currency, maturity and interest rate risks, based on the statutory financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A. Currency risk

	CHF	USD	EURO	Others	Total
<i>At 31 December 2001</i>					
Assets					
Cash and balances with central bank	2,857,269	-	-	-	2,857,269
Due from other banks	74,019,691	1,619,313	1,492,526	13,162	77,144,692
Due from customers	12,860	86,563	21,844	-	121,267
Other short-term assets	612,031	-	447	-	612,478
Financial investments	937,636	-	-	-	937,636
Other assets	15,737,120	-	-	-	15,737,120
Total assets	94,176,607	1,705,876	1,514,817	13,162	97,410,462
Liabilities					
Due to other banks	2,085,512	-	-	-	2,085,512
Due to customers	59,511,191	1,546,483	1,465,709	-	62,523,383
Trade and accounts payables	2,226,358	-	-	-	2,226,358
Total liabilities	63,823,061	1,546,483	1,465,709	-	66,835,253
Net on balance sheet position	30,353,546	159,393	49,108	13,162	30,575,209
Off balance sheet notional position	-	-	-	-	-

B. Maturity risk

	Up to 1 month	1-3 month	1-5 years	Over 5 years	Total
<i>As at 31 December 2001</i>					
Assets					
Cash and balances with central bank	2,857,269	-	-	-	2,857,269
Due from other banks	77,144,692	-	-	-	77,144,692
Due from customers	121,267	-	-	-	121,267
Other short-term assets	-	612,478	-	-	612,478
Financial investments	-	-	937,636	-	937,636
Other assets	-	-	15,737,120	-	15,737,120
Total assets	80,123,228	612,478	16,674,756	-	97,410,462
Liabilities					
Due from other banks	2,085,512	-	-	-	2,085,512
Due to customers	62,523,383	-	-	-	62,523,383
Trade and accounts payables	2,226,358	-	-	-	2,226,358
Total liabilities	66,835,253	-	-	-	66,835,253
Difference between total assets and liabilities	13,287,975	612,478	16,674,756	-	30,575,209
Net liquidity gap	none	none	none	none	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

C. Interest rate risk

	Up to 1 month	1-3 month	1-5 years	Non- interest bearing	Total
<i>As at 31 December 2001</i>					
Assets					
Cash and balances with central bank	-	-	-	2,857,269	2,857,269
Due from other banks	77,144,692	-	-	-	77,144,692
Due from customers	121,267	-	-	-	121,267
Liquid financial investments	-	-	-	-	-
Other short-term assets	-	-	-	612,478	612,478
Financial investments	-	-	937,636	-	937,636
Other assets	-	-	-	15,737,120	15,737,120
Total assets	77,265,959	-	937,636	19,206,867	97,410,462
Liabilities					
Due from other banks	-	-	-	2,085,512	2,085,512
Due to customers	62,523,383	-	-	-	62,523,383
Trade and accounts payables	-	-	-	2,226,358	2,226,358
Total liabilities	62,523,383	-	-	4,311,870	66,835,253
Net on balance sheet interest sensitivity gap	14,742,576	-	937,636	14,894,997	30,575,209
Off balance sheet interest sensitivity gap	-	-	-	-	-
Total interest sensitivity gap	14,742,576	-	937,636	14,894,997	30,575,209

Interest rates applicable for Swiss Francs denominated assets and liabilities at 31 December 2001

	Up to 1 month	1-3 month	1-5 years	Non- interest bearing
Assets				
Cash and balances with central bank				0.00%
Due from customers	6.00%			
Due from other banks	1.75%			
Other short term assets				0.00%
Financial investments			4.50%	
Other assets				0.00%
Liabilities				
Due to other banks				0.00%
Due to customers	0.50%			
Trade and accounts payable				0.00%

Note: no interest is served on amounts due to customers that are denominated in a currency different from Swiss Francs

23. Subsequent event

On 22 February 2002, the Company announced that it will start a major restructuring of its organisation in order to adapt its cost structure to the actual market conditions, as well as to focus its operations on online financial services. As part of the restructuring, the Group will centralise its operations in Gland with the exception of its marketing and sales organisation that will remain in Zurich.

The restructuring charge is estimated at CHF 7.5 mio, of which CHF 4.5 mio will have an impact on cash flows for the payment of redundancies and other cancellation of operating obligations, and CHF 3 mio in the form of write-offs of fixed assets. The restructuring charge of CHF 7.5 mio is gross, i.e. does not account for the possible mitigating impact, if any, of deferred taxes and the participation of minorities. The restructuring charge will be recorded and reported in Q1 2002.

Report of the Group Auditors to the General Meeting of Shareholders on the Consolidated Financial Statements 2001

As auditors of the Group, we have audited the consolidated financial statements (balance sheet, statements of operations, changes in shareholders' equity and cash flows and notes) set out on pages 18 to 46 of Swissquote Group Holding Ltd ("the Company") and subsidiaries (collectively, "the Group") as of and for the year ended 31 December 2001.

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 audit was 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). These standards require that an audit be planned and performed 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 2001 and the results of its operations and the cash flows for the year then ended in accordance with the International Accounting Standards (IAS) and comply with relevant Swiss law.

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

PricewaterhouseCoopers SA

F Roth JC Pernellet

Lausanne, 20 February 2002

PART #2 FINANCIAL REPORTS 2001

B STATUTORY FINANCIAL STATEMENTS AT 31 DECEMBER 2001
OF SWISSQUOTE GROUP HOLDING Ltd

BALANCE SHEET AT 31 DECEMBER 2001

ALL AMOUNTS IN SWISS FRANCS

	Notes	2001	2000
ASSETS			
Current assets			
Cash and banks		38,847,157	51,106,681
Receivables		481,524	445,413
Securitized (treasury shares)		527,727	-
Total		39,856,408	51,552,094
Non-current assets			
Investments in subsidiaries	2	20,826,370	15,980,770
Receivables from subsidiaries	3	11,972,331	8,598,963
		32,798,701	24,579,733
Provision		(23,239,795)	(2,100,000)
Total net		9,558,906	22,479,733
Formation costs and intellectual property rights, net	4	4,832,111	6,208,965
Total		14,391,017	28,688,698
TOTAL		54,247,425	80,240,792
LIABILITIES AND EQUITY			
Current liabilities			
Creditors and accrued liabilities		1,056,249	366,440
Payable to Group companies		24,932	-
Total		1,081,181	366,440
Equity	5		
Share capital		13,760,300	13,500,000
Share premium	6	68,248,442	68,385,719
Reserve for own shares		527,727	-
Accumulated loss		(29,370,225)	(2,011,367)
Total		53,166,244	79,874,352
TOTAL		54,247,425	80,240,792

STATEMENT OF OPERATIONS

	2001	2000
Income		
Revenues from investments	479,971	189,103
Interest income	1,275,123	1,171,857
Total	1,755,094	1,360,960
Expenses		
Operating expenses	3,282,204	534,478
Loss on liquidation of subsidiary	3,300,205	-
Provisions	21,139,795	2,000,000
Amortisation	1,391,748	820,181
Total	29,113,952	3,354,659
Net loss	(27,358,858)	(1,993,699)
Accumulated losses at beginning of year	(2,011,367)	(17,668)
Accumulated losses at end of year	(29,370,225)	(2,011,367)

NOTES TO THE 2001 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 are 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	17.5%
Mr Marc Burki	17.4%
Mr Paolo Buzzi	17.5%
Mr Alfred Moeckli	7.0%

ALL AMOUNTS IN SWISS FRANCS

2. Investments in subsidiaries

	%	2001	2000
Marvel Communications Ltd, Gland	100%	87,420	87,420
Swissquote Trade Ltd, Gland	100%	238,950	238,950
Swissquote Info Ltd, Gland	100%	100,000	100,000
Swissquote Bank, Gland	51%	20,400,000	15,300,000
Swissquote France SAS, Paris	-	-	254,400
Total		20,826,370	15,980,770

Swissquote France SAS was liquidated in December 2001.

3. Receivables from subsidiaries

The receivables from Group companies include a total amount of CHF 7,000,000 (2000: CHF 2,510,000) 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).

CONSOLIDATED INTERIM STATEMENT OF OPERATIONS

5. Share capital

	2001	2000
Ordinary shares issued	13,760,300	13,500,000
<i>Unissued shares</i>		
Conditional share capital	939,700	1,200,000
Authorised share capital	500,000	500,000

There is one single class of shares: Ordinary registered with a nominal value of CHF 10 each.

Conditional share capital

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. 26,030 new shares were issued at an exercise price of CHF 25 per share in 2001 in connection with the exercise of options granted to employees.

Authorised share capital

On 13 May 2000, 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.

Own shares

The company owned 18,996 own shares at 31 December 2001. These shares are the result of the acquisition of 44,916 Swissquote Group shares at unit prices ranging from CHF 17.9 to CHF 36.7 (average costs of CHF 31.00 per share) and the disposal of 29,950 shares at a unit prices ranging from CHF 24.6 to CHF 36.3 (average net price per share of CHF 33.33).

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 2000 and 2001, the amount of such non-distributable reserves is nil.

6. Share premium

	2001	2000
At beginning of year	68,385,719	-
Increase	390,450	68,248,151
Allocation to reserve for own shares	(527,727)	-
At end of year	68,248,442	68,248,151

Report of the statutory auditors to the general meeting of shareholders

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes) set out on pages 49 to 52 of Swissquote Group Holding Ltd for the year ended 31 December 2001.

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 Pernellet

Lausanne, 20 February 2002

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