



# SHAREHOLDERS' LETTER 2003

## CARD-BASED PAYMENT SYSTEMS

Zurich, December 2003

Dear Sir or Madam,

Business is going well for the Telekurs Group, despite the challenging economic environment. The Group as a whole is successful and achieving a satisfactory level of growth.

The Telekurs Group completed various strategic projects in the current year and took measures to boost efficiency. Competitive strength was thus fundamentally improved.

The most important strategic event was the acquisition of the VISA acquiring business from the UBS Card Center UCC at the end of May this year. This acquisition enables Telekurs Multipay, formerly Telekurs Europay, to realize its long-planned dual brand strategy and to offer contracts for the acceptance of both MasterCard and VISA.

A further important step in the area of Card-based Payment Systems was the successful merger of the 3C Group, a leader in the terminal business, with the card service of the former Payserv, to become Telekurs Card Solutions. Telekurs can thus now offer complete solutions for the recording, transmission, processing and crediting of card transactions from a single source.

In the "Electronic Payment Systems" business area the building up of the PayNet networks is proceeding steadily: In the current year, PayNet (Schweiz) has won over numerous banks, important billers and software providers for electronic bill presentment and payment EBPP.

With Telekurs iD, Telekurs Financial has developed and brought to market a new display product family that combines the stability and speed of a mainframe connection, the flexibility and convenience of a Windows environment with the simple administration and maintenance of a Web solution.

Measures to improve the cost-basis and to boost efficiency among all Group companies are associated with a certain reduction of staff and an increased concentration of the premises to the company's property on Hardturmstrasse in Zurich. From today's perspective, the Telekurs Group will achieve an operating result that is slightly below that of the previous year. The extraordinary profit from the sale of the participation in Fininfo in France had a positive effect on the financial result.

**Telekurs Multipay Ltd.  
(formerly Telekurs Europay Ltd.)**

Telekurs Multipay recorded strong overall growth: both through the new VISA business taken over in mid-year and through an increase in the debit business of approximately ten percent.

The first half of the year was difficult for Telekurs Multipay: The dual-branding offer was still lacking and the poor economic situation lead to declining transaction volumes and turnover in the MasterCard business. Thanks to the acquisition of the VISA acquiring business from the UBS Card Center UCC, it has, however, managed to meet customer demands for a dual credit card offer from a single source. At the same time, the acquired volumes of VISA transactions lead to a turnover volume in the Credit Card business segment per year-end that will far exceed that of the previous year.

Within the framework of integrating the VISA acquiring business, Telekurs Multipay was restructured to a slim sales and marketing organization and has transferred the technical tasks to Telekurs Card Solutions.

The ec/Maestro business segment continues to grow. As of the end of September, transaction volumes were 9.8 percent, and transaction turnover was 7.6 percent above the previous year period. Since this year, CASH is being continued as a niche product, however, will no longer be advertised with large campaigns.

The renaming of Telekurs Europay Ltd. to Telekurs Multipay Ltd. was completed in May 2003. This was necessary as a result of the dual-branding. Dr. Jacques Bischoff, CEO of Telekurs Multipay, left the company on 21 July 2003. Ruedi Denier was named CEO of Telekurs Multipay while Dôn Nguyen-Quang became a Member of the Executive Committee.

**Telekurs Card Solutions Ltd.**

Telekurs Card Solutions has developed economically in a positive manner. The merger of the Payserv Card Services division and 3C Group into Telekurs Card Solutions lead to numerous synergies and an improvement of the cost basis. The number of the transactions processed through Telekurs Card Solutions has also increased.

In the Issuing Services business segment, migration of the credit card issuing processing, i.e. the relocation of the subtasks and personnel resources to the issuers, is proceeding according to plan. The Swiss-card portfolio was migrated in November of 2003. The migration of the Visa card portfolio is planned for the end of April 2004. A reduction of staff by 80 positions in 2003 and approximately 50 further positions in the year 2004 is to be expected as a result of the migrations.

In the Acquiring Services business segment, on 1st November, Telekurs Card Solutions received certification for the processing of VISA transactions from VISA International at the point of sales (POS) and at cash dispensers (ATM). Telekurs Multipay's first VISA merchants have already been activated. By mid-2004 at the latest, the UCC VISA processing will be taken over by Telekurs Card Solutions.

In the e-Commerce business segment, with saferpay, a product exists that is primarily very successful in Germany, however, which now is also taking hold in Switzerland.

The banks have approved the personalization of Maestro cards with the EMV chip (EMV: EUROCARD, MasterCard, VISA). With the card renewal that began in September 2003, Maestro cards will now be equipped with the internationally standardized EMV chip.

In the Terminals business segment, Telekurs Card Solutions is the first provider of ep2-homologized terminals that are EMV and offline-capable. The entire product palette, from stand-alone solutions through multi-station systems, on to

modular vending machine applications will be converted to ep2. On 1st November 2003, the first single terminal in Switzerland, a so-called monoblock with cash register and customer terminal in a single device, was launched under the name EPSYS smash compact. ep2 standardization makes it an inexpensive terminal for the processing of debit and credit cards. The financial balance portal topas pms was activated simultaneously with the launching of the EPSYS smash compact device.

Felix Aeschlimann joined the Executive Committee on 1st August 2003, assuming the CEO position that Walter Wirz previously held ad interim. Walter Wirz departed the Executive Committee at this time. Dr. Linus Bertsch, Ruedi Denier and Ralph Oechslin continue to be Members of the Executive Committee.

**Swiss Interbank Clearing Ltd.**

Swiss Interbank Clearing expects a result within the range of that of the previous year. Processed in SIC in the first nine months of 2003 were 139.2 million transactions, which represents an increase of 8.3 percent over the previous year. In euroSIC, transactions increased by 25.8 percent compared to the previous year. A total of 1.46 million euro transactions were processed by the end of September. Consolidation of the submission channels is proceeding in the LSV/DTA business segment. Considerable cost savings were achieved with the successive concentration of submissions to payCOM<sup>web</sup> and with the replacement of the costly EVA platform (EVA: Electronic Credit Order) in mid-year.

Turnover in the DTA segment decreased as expected, since DTA will be discontinued at the end of 2005, in accordance with the banks' decision. On the other hand, LSV turnover has increased. An LSV steering committee established by the Swiss Interbank Clearing Board of Directors is currently elaborating the new LSV strategy, which will be implemented in the 4th quarter of 2006 after a parallel operation phase.

Finance IPNet has been in productive use since April. It connects the banks with the Telekurs Group for services such as SIC and euroSIC, or the submission and delivery of LSV/DTA. Forty-one financial institutions were migrated to the new network by the end of September.

The Swiss Interbank Clearing Board of Directors, responsible for interbank payment traffic services, has assumed governance of the "Discontinuation of central check processing" project. Telekurs Services anticipates discontinuing the "central check processing" service in 2006, due to decreasing volumes.

**PayNet (Schweiz) AG**

For PayNet (Schweiz), the year 2003 is a year of building up. In the PayNet business segment, contracts were signed with

12 banks for the integration of PayNet into their Internet banking portals. Zurich Kantonalbank and Hypothekbank Lenzburg have already successfully activated their interfaces in November. The EBPP services shall be released for customers at the beginning of 2004. Additional banks are to follow. By mid-2004, over one million Internet banking customers from UBS, Credit Suisse, Zurich Kantonalbank as well as members of the RTC Group, the regional banks and the Hypothekbank Lenzburg will receive electronic bills through PayNet. At the same time, PayNet (Schweiz) has won over further important providers of business software solutions for the integration of the PayNet interface. In 2004, all companies with solutions from ABACUS, Baan, C-Channel, Microsoft Biztalk, Polynorm, Rotron Europa 3000 and SAP will thus be able to very easily connect to the PayNet network.

In the Billing Service business segment, which offers VAT-conforming EBPP services to companies, PayNet (Schweiz) has gained a foothold in various areas of the B2B market sector: For example, contracts were signed with Syngenta Crop Protection and Basler Kantonsspital. Further expansion of the PayNet network will occur in close cooperation with the customers. In the B2C market segment, the PayNet B2C Forum was founded in cooperation with SAP in order to prepare for the market introduction to private customers. Participants are the above-mentioned banks and several large billers, such as Billag, Cornèr Bank, the Electric Power Company of Canton Zurich (EKZ), the Electric Power Company of the City of Zurich (EWZ), IWB Industrielle Werke Basel, Orange Communications SA, Swisscom Mobile and the Galenos Health Insurance. Contracts have already been signed with several of these companies, such as the Cornèr Bank, EKZ and Orange, while negotiations are continuing with additional companies.

#### **Telekurs Financial Information Ltd.**

Telekurs Financial anticipates a result that lies below that achieved in the previous year. The company encountered a reduction of turnover that could not be completely compensated on the cost-side. However, a profit will be attained in the current business year despite the difficult market situation.

Telekurs Financial has made a standardized platform available for its customers with the launching of Telekurs **iD**. The new platform offers more information and will successively replace the various existing display products FinXS, Finbase and Finvest. The migration from FinXS and Finbase is currently proceeding at full speed. The next version of Telekurs **iD**, which will replace the Fininvest populations, is in preparation with rollout planned for early 2004.

In the Valordata Feed VDF segment, emphasis was placed on the expansion of system availability. This was achieved through an increase in the number of servers and an improvement of distribution platform capacity. Moreover, Telekurs Financial will soon offer daily multiple deliveries of securities data. VDF customers can thus decide whether they would like to receive master data updates once or three times daily. Also, in regard to the development of the VDF, work is in progress for the introduction of the ISO 15022 standard. Corporate action messages will then also be distributed in ISO 15022 format.

All national and international customers were migrated from the previous distribution concept Valordata System VDS to the Valordata Feed VDF in the course of the year 2003.

Telekurs Financial has also further expanded its range of data this year, such as with the introduction of Dow Jones News this past summer and increased coverage of the bond markets.

The banking center Switzerland must introduce new regulations in regard to Basel II and the money laundering law. Telekurs Financial supports the banks in various projects through the connection to third-party data relevant to these regulations. The latest service in this area is the PEP-Check, a product that supports banks in adhering to the money laundering ordinance regulations.

The contribution of the subsidiaries abroad is greater as a whole than in the previous year. This particularly applies to the companies in Luxembourg, Holland and Italy, with results exceeding those of last year, while Telekurs (Deutschland) GmbH and the companies in Asia have yet to meet targets.

On 1st January 2003, a new branch office of Telekurs (U.K.) Ltd. was opened in Dublin under the name Telekurs Financial (Ireland Branch). This makes it possible to directly support the growing funds business with Telekurs services directly on location.

Telekurs (France) SAS, founded early this year, began autonomous production on 1st October 2003. The 16-head team supplies realtime information and securities data from France, Monaco and French-speaking Africa to the Telekurs Financial central database in Zurich. Telekurs (France) SAS will also commence sales activities starting January 2004.

## LOGISTICS AND IT SERVICES

**Telekurs Services Ltd.**

The Logistics Department of the former Payserv Ltd. was reorganized on 1st January 2003 as Telekurs Services Ltd. As a service provider, it operates numerous sophisticated Telekurs Group systems and applications, and increasingly those of external customers as well. Telekurs Services shall thus take on the operation of the bank application avaloq for Bank Linth as an Application Service Provider (ASP). The goal is to also operate the avaloq banking solution at Telekurs Services for additional banks.

The IT Services business segment incrementally converted all Telekurs Group workstations to Windows XP during the second half of this year. Finance IPNet, a TCP/IP network established together with the SIS Group to replace the TELOS<sup>net</sup> network infrastructure, commenced operation this past summer. Customers thereby have access through a single connection to Telekurs Financial, Swiss Interbank Clearing and the SIS Group. The financial institutions will be migrated one after another by the end of 2004. The back-up computer center has been expanded over the past year to meet increased customer requirements for security and availability. The same high level of system availability has been maintained as in the previous year.

The Document Services business segment gained five new customers over the past year. Contracts were extended with three customers, among them Orange Communications SA. Document Services proposed solutions for sales slip processing and the archiving of payment transaction services to various banking institutions and now also offers banks printing and packaging of assets statements in color.

Document Services is the first printing and packaging center in Switzerland to introduce electronic dispatch verification. A new processing infrastructure also enables electronic submission and delivery of the photo data of over 3 million SBB subscribers. The SBB can thus access the photos online.

Telekurs Services has been managed by an Executive Committee since 1st March 2003. Rolf Finschi is the CEO, with Beat Christen and Rainer Deutschmann as Members of the Executive Committee.

**Telekurs Group Boards of Directors**

There have been the following changes to the composition of the Boards of Directors since the beginning of 2003:

**Telekurs Holding Ltd.**

Dr. Romeo Lacher, Member of the Management Committee Credit Suisse, replaced the departing Board Member Bruno B. Pfister.

**Telekurs Multipay Ltd.  
(formerly Telekurs Europay Ltd.)**

Germain Hennet, Prof. Dr. Klaus Spremann and Stephan Weigelt have departed. Dr. Thomas Ankenbrand, Director of RBA Zentralbank has become a new Member of the Board.

**Telekurs Card Solutions Ltd.**

Joining the Board of Directors is Dr. Ruedi Berger, Director of RBA Service and Member of the Board of Directors of RBA Holding.

**Swiss Interbank Clearing Ltd.**

Dr. Thomas Ankenbrand has departed. Christian Bieri, Services and Processing Department Head, Member of the Executive Board RBA Zentralbank, has joined the Board of Directors.

**Telekurs Group Executive Board**

Dr. Jacques Bischoff has departed from the Telekurs Group. Named by the Board of Directors to Members of the Telekurs Group Executive Board were Ruedi Denier, CEO of Telekurs Multipay, effective 21 July 2003, and Felix Aeschlimann, CEO of Telekurs Card Solutions, effective 1st August 2003.

## 2004 GENERAL MEETING

The 2004 General Meeting will take place on 12 May 2004, starting 10.30 a.m. at the UBS Grünenhof Conference Center in Zurich.

Yours faithfully,  
Telekurs Holding Ltd.



Stephan Zimmermann  
Chairman of the Board of Directors



Walter Wirz  
Chief Executive Officer

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