



SHAREHOLDERS' LETTER 2004

CARD-BASED PAYMENT SYSTEMS

Zurich, December 2004

Dear Sir or Madam,

The Telekurs Group is doing well financially. From today's perspective it should achieve a result which, thanks to continuous improvement of the cost basis, lies just below that of the previous year, despite decreased turnover in the financial information business in Switzerland and essentially lower interbank prices. The Board of Directors undertook a reassessment of the existing and potential market activities of the Telekurs Group at the beginning of the year and spoke out for a focusing on the core business. Accordingly, the Telekurs Group is targeting its service range in Switzerland primarily towards the Swiss banks and expanding it in the areas of international financial information, the card business and electronic payment systems. It is pursuing a growth strategy abroad in which economies of scale are significant, such as in the financial information business and card processing. Within the framework of this focusing, the Telekurs Group sold the Document Services business field to Swiss Post, effective December 1st. The Telekurs Group simplified the Board of Directors' structure within the Group in May. Telekurs Holding Ltd. and its subsidiaries in Switzerland now have a unified Board of Directors, with the exception of Swiss Interbank Clearing Ltd. and Rolotec AG. The Chairman and Members of the Telekurs Holding Ltd. Board of Directors have thus also assumed seats as Chairman and Board Members on the Boards of Directors of Telekurs Multipay Ltd., Telekurs Card Solutions Ltd., PayNet (Schweiz) AG, Telekurs Financial Information Ltd. and Telekurs Services Ltd.

Telekurs Multipay Ltd.

Telekurs Multipay was able to improve its market position in the card business in comparison to the previous year. The new dual-brand palette, the offering of contracts for the acceptance of MasterCard and VISA, which has been in place since mid-2003, made a successful repositioning possible.

Turnover in the credit cards business field has again developed positively, thanks in part to the acquisition of the UBS Card Center (UCC) VISA acquiring business in the previous year. Migration of the data from this company to the Telekurs system was completed successfully at the end of June. Processing of the data continued over the UCC system until then because Telekurs first had to have its internal system certified by VISA International.

Introduction of the new general contract conditions containing the so-called liability shift will take place on 1 January 2005. According to the liability shift, the merchant is liable for the misuse of credit cards equipped with the new chip, if he does not use a security enhanced EMV/ep2-capable terminal, one which does not support the new chip technology.

The debit business field continues to grow. As of the end of September, transactions with Maestro cards in Switzerland increased by 7% over the previous year, while transaction turnover grew by 6%.

Against the backdrop of the introduction of an interchange fee, a new price model shall be used for the Maestro debit system in Switzerland. This is justified because the debit card business with merchants does not cover costs for the banks. The new price model was intensively discussed with merchants and as a precaution was reported to the Competition Commission (WEKO). Because the Competition Commission is carrying out preliminary clarifications and since a new price model requires several months to implement, the originally planned introduction date of 1 January 2005 is no longer realistic. The decision was therefore

made to postpone the introduction of the new fees model.

Ruedi Denier resigned from the management of Telekurs Multipay in October as planned. Hans-Martin Moser was named as the new Chief Executive Officer of Telekurs Multipay Ltd. and to the Executive Committee of the Telekurs Group as his successor.

Telekurs Card Solutions Ltd.

Telekurs Card Solutions developed in a financially positive manner again this year.

In the issuing processing business field, the migration of the VISECA credit card portfolio occurred at the end of August. All credit card data has now been transferred to the issuers and migrated to the new processors. Services in the area of debit issuing processing are being systematically expanded. The Web-based ordering system for Maestro and bank cards, "debitonline WEB", which is intended to replace the former PayGate service, began operation at the end of June 2004. The new service is being received with great interest. The first issuer began operation of a direct online connection for the authorization of Maestro transactions at cash dispensers and POS terminals this year. It enables the setting of specific limits and thereby facilitates a differentiated risk management. In assignment from Credit Suisse, Telekurs Card Solutions assumed operation of the 7 x 24-hour Maestro Helpline in mid-July for card blockings and product information for Maestro and bank cards. This has resulted in an additional 300 to 400 calls per day.

In the acquiring processing business field, the migration of the UBS Card Center (UCC) VISA processing to the Telekurs Card Solutions processing system was completed as planned at the end of June 2004. Seven years after the introduction of the new Tancomat (petrol vending) system (TM97), the old system (TM85) was finally taken out of service at the end of September.

ELECTRONIC PAYMENT SYSTEMS

The internationalization of the acquiring processing business area is also being consistently promoted. Streamline International, a subsidiary of the Royal Bank of Scotland Group, chose Telekurs Card Solutions as its acquirer processor to process its future continental European VISA, MasterCard and Maestro transactions. The first transactions are expected in the 1st quarter of 2005.

In the POS/client business field, sales of ep2 terminals (EMV- and offline-capable) exceeded those of the previous year. The sales of ep2/EMV terminals for single station solutions (Epsys smash product line) have developed positively. The terminals are selling very well, particularly in region of Western Switzerland, where Telekurs Card Solutions has been active with its own sales organization since March. Market introduction of the next ep2/EMV terminal generation is planned for the beginning of 2005. The successful market introduction of "POS top-up" occurred in the second quarter of 2004, enabling the loading of prepaid cards for mobile phones at POS terminals at a major Swiss retailer. The new product "topas PMS" (POS Management System) which enables the merchant to make financial reconciliations of POS transactions, account-keeping, financial data evaluations and exports, etc., is currently in pilot operation. The new management system for terminals was placed in operation in mid-2004. It contains all terminal-related master data for Telekurs Card Solutions' own terminals as well as those from other terminal suppliers and acquirers, and is a core function of the company as a network service provider.

Ruedi Denier stepped down from the Executive Committee of Telekurs Card Solutions at the end of October 2004. Felix Aeschlimann (CEO), Dr. Linus Bertsch and Ralph Oechslin remain members of the Executive Committee.

Swiss Interbank Clearing Ltd.

Swiss Interbank Clearing anticipates a result within range of the previous year, although the rates in the Swiss franc SIC system were massively reduced in mid-year.

Processed in SIC in the first nine months of the year were 148.8 million transactions, representing an increase of 6.9 percent over the previous year. In euroSIC, transactions increased by 22.6 percent, in comparison to the previous year. A total of 1.79 million euro transactions were processed by the end of September. Since the end of September 2004, all financial institutions connected to the SIC or euroSIC system operate through Finance IPNet, the network developed together with the SIS Group. The customers of Telekurs Financial also number among the beneficiaries of this communications infrastructure.

In the LSV/DTA business field, turnover in the DTA segment continued to decrease as expected, since DTA will be discontinued at the end of 2005 according to the banks' decision, and will only be continued by Telekurs as a special offer. In return LSV turnover increased slightly by 2.7%. Preparations here for the reorientation of this service are in high gear. The direct debit procedures of the Swiss banks shall be improved to enable the simple and rapid activation of customers. Moreover, risk for the debtor banks and the number of returns shall be significantly reduced with improved processes which should also result in lower handling costs. The detailed concept was elaborated with selected financial institutions in the first quarter of 2004, which formed the basis of information widely distributed among banks and software producers. The LSV+ project will be completed by the end of 2006.

PayNet (Schweiz) AG

The primary emphasis in the current year has been on the B2C market segment, which is the introduction of PayNet for private customers. The launch took place at the beginning of February at the iEx'04: PayNet introduced the service for internet banking customers at a partner stand along with banks, billers and software partners.

All involved partners began the broad marketing of PayNet in mid-June. By that date, 83 connected banks were able to offer PayNet to their customers. This means that over one million Internet banking customers have the option of receiving electronic bills through PayNet. At the same time, the first two national billers, Orange Communications SA and Swisscom Fixnet, also offered its customers electronic bills through PayNet. By the end of the year further national billers, such as Cablecom, Swisscom Mobile and numerous regional billers will also be connected. To boost the attractiveness of PayNet for billers, it was decided in mid-2004 to also offer PayNet access to yellowbill customers starting in early 2005.

In the B2B market segment additional sectors were tackled, such as the retail market, and the network was further extended. Moreover, PayNet participated in a project of the "Fachhochschule beider Basel" (University of applied science) for the standardization of electronic bills in the B2B sector.

The SAP-EBPP solution used by PayNet was introduced by HypoVereinsbank and Bayerische Landesbank in Germany.

Telekurs Financial Information Ltd.

Telekurs Financial has managed to absorb the decrease in turnover in Switzerland, which can be traced back to market saturation with corresponding price pressure, by means of cost savings. Positive development abroad was also recorded.

The second version of the new display product Telekurs **iD** was successfully introduced in October 2004 after extensive quality tests. The new version offers a comprehensive, improved data range for the advisory sector and the integration of a combined search function for master data and current prices in Telekurs **iD**.

This now provides the efficient searching of information also for the real-time front-office sector. Worldwide analyses of shares were also linked.

The Valordata Feed (VDF) was enhanced with corporation actions news in ISO 15022 format in September 2004. The format supports the comparison of reports from various sources (e.g. custodians). Since October, Telekurs Financial also provides, in addition to the day closing prices which are delivered as valuation prices in VDF, a new worldwide standardized Intraday Pricing Service which enables portfolio valuation at any time of day.

To accommodate the EU guidelines for the taxation of savings interest (2003/48/EG), which comes into force on 1 July 2005, two additional message types (DOCs) were integrated in VDF and three others were enhanced with information. The VDF thereby delivers all information for the identification, classification and automation of interest earnings which fall within the EU guidelines. Also made available was an overview of the 80,000 securities which are exempt from the interest calculation through their grandfathered status. The Market Data Feed (MDF) architecture is being revised. The goal is the expansion of capacity for the integration of high-volume stock exchanges. All systems were optimized in the early months of this year, which enabled the shortening of data

throughput times and an "early warning" in case of potential delays. Moreover, the MDF was enhanced in regard to its data contents. The following data types for the minimization of risk were requested by the international supervisory bodies and made additionally available: historic volatility, risk statistics for calls and puts (such as implicit volatility and delta factor) and the average earnings for bonds in the most important currencies.

The portion of turnover generated by the companies abroad generally remains within the scope of the previous year. An increase in revenues was noted at the end of September, particularly in the Anglo-Saxon markets and in Japan.

The establishment of the subsidiary in France is proceeding apace. Telekurs (France) has commenced independent marketing and sales activities since the beginning of the year and won over its first customers in the areas of private and deposit banks, brokerage and funds management. After the discontinuation of data supply to the former distribution partner Fininfo S.A. at the end of September, Telekurs (France) was able to migrate a number of Fininfo customers to Telekurs **iD**.

Telekurs (Deutschland) has initiated a turnaround. The restructuring from a predominantly technical-administrative organization to one that is more oriented towards marketing and sales is underway.

Telekurs (USA) took over marketing of the Valordata Feed at the end of July 2004, after the alliance with Standard & Poor's was replaced with a revendor contract. To be able to continue managing the enormous growth in data within the Anglo-Saxon subsidiaries in the future, Telekurs Financial intends to relocate the data input of the additional volume incrementally to India. Planning for the Indian data center is so advanced that the training of the first 20 employees can begin in February 2005.

LOGISTICS AND IT SERVICES

Telekurs Services Ltd.

In the Telekurs Services IT Services business unit, which is the internal provider of IT and facility services for the Telekurs Group, the relocation of the Telekurs Card Solutions computer center from Urdorf to Telekurs Services in Zurich was successfully completed at the end of June 2004. In addition, the relocation of the Telekurs (Deutschland) computer center to Switzerland is currently in progress and will be completed in 2005. The computer center in Zurich has around 650 server systems with a storage capacity of approximately 60 terabytes and again this year achieved system availability at the same high level as in the previous year.

The migration of the entire Bank Linth system to Telekurs was completed on time and with no difficulties: since 1 June 2004, Telekurs Services operates the banking solution Avaloq for Bank Linth. The Telekurs Group sold the Document Services business field effective December 1st, with approximately 100 employees to Swiss Post, in accordance with the focusing on the core business.

Within the scope of the newly defined Telekurs Group IT governance, a CIO organization was created that is independent of the IT production, the management of which was assumed by Rolf Finschi. At the same time, he resigned as CEO of Telekurs Services.

Felix Aeschlimann assumed the ad interim management of Telekurs Services on 1 October, in addition to his function as CEO of Telekurs Card Solutions.

Telekurs Group Boards of Directors

There have been the following changes to the composition of the Boards of Directors since February 2004:

Telekurs Multipay Ltd., Telekurs Card Solutions Ltd., PayNet (Schweiz) AG, Telekurs Financial Information Ltd. and Telekurs Services Ltd.

These group companies now have the identical composition as the Board of Directors of Telekurs Holding Ltd.: Stephan Zimmermann, Chairman, Member of the Group Managing Board of UBS Ltd., Zurich; Dr. Romeo Lacher, Vice Chairman, Member of the Executive Board of Credit Suisse, Zurich; Arthur Bolliger, Chief Executive Officer, Maerki Baumann & Co AG, Zurich; Dr. Pierin Vinzenz, Chief Executive Officer, Union of Swiss Raiffeisen Banks, St. Gallen; Marcel Zoller, Member of the Executive Committee, Cantonal Bank of Saint Gall, St. Gallen.

The former Members of the Boards of Directors of the group companies listed above have resigned.

Swiss Interbank Clearing Ltd.

Fritz Klein and Erwin Sigrist have retired. Daniel Wettstein, Director, Department III, Banking Operations, Swiss National Bank has been elected. Board Member Jörg Auer has assumed the vice chairmanship.

Telekurs Group Executive Committee

Ruedi Denier departed the Telekurs Group in October and consequently resigned from the Executive Committee. In October, the Board of Directors named Hans-Martin Moser, CEO of Telekurs Multipay, as Member of the Telekurs Group Executive Committee.

2005 GENERAL MEETING

The 2005 General Meeting, complete with official festivities to mark the 75th anniversary of the Telekurs Group, will take place on 18 May 2005, at 10.15 a.m. at the Kongresshaus Zurich.

Yours faithfully,
Telekurs Holding Ltd.



Stephan Zimmermann
Chairman of the Board of Directors



Walter Wirz
Chief Executive Officer

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