

EXFEED – UNFLAGGING DEMAND FOR REALTIME DATA

EXFEED had to contend with increasingly difficult operating conditions in 2003. Banks and other financial institutions continued to rein in spending, which led to a decline in the number of reported professional data users. Thanks to selective cost-cutting measures, however, the company finished the year with a balanced operating result.

Capital investment in broadcasting architecture, software development and telecommunications bandwidths was stepped up last year in order to stay ahead of demand for ever higher data transmission speeds. EXFEED also streamlined its reporting and billing systems in a move to reduce administrative overheads. These cost savings will be passed on to end-users.

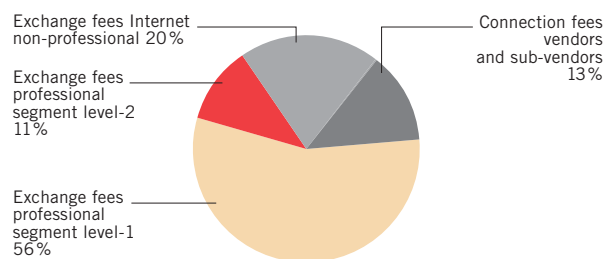
Stable earnings year on year

Connection fees received from vendors and sub-vendors were 2% higher than in 2002. In the professional segment, total exchange fees (dependent on user numbers) declined, but EXFEED's two most important products nevertheless showed differing trends. While level-1 exchange fees for inside-market data (best bid/ask and last trade) fell by 9%, level-2 exchange fees (providing a depth-10 display of the best bids/asks plus the last trade) posted an encouraging 18% advance.

The non-professional segment benefited from the stock market rally that began in April. Fee revenue from Internet financial portals rose slightly year on year.

Selective streamlining measures enabled EXFEED to reduce its operating expenditure by 11% to CHF 8.3 million. The main cuts were made in personnel, PR and marketing expenses, as well as in general office and administrative overheads. Operating profit before licensing fees and taxes totalled CHF 8.4 million, compared with CHF 8.7 million in 2002. After deduction of non-recurring charges, licensing fees and taxes, net profit for 2003 came to CHF 40 000 (CHF 478 000 in the previous year).

INCOME IN 2003

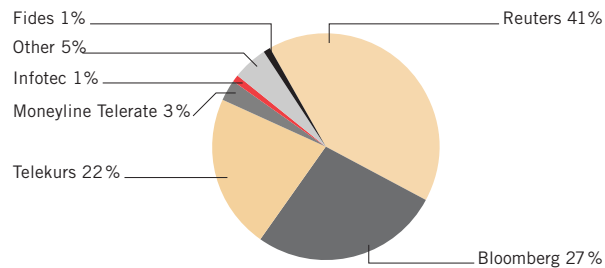


Source: EXFEED

Contrasting developments in user numbers

Among the biggest licensed users of EXFEED data, i.e. major vendors and global players in the financial services industry, the number of level-1 data users fell significantly in some cases, whereas the number of level-2 data users increased slightly.

SHARE OF VENDORS PROFESSIONAL IN EXFEED PROFESSIONAL USER SEGMENT



Source: EXFEED

At end-2003, the company was serving a total of 100 customers. Most were vendors, who resell the data they obtain from EXFEED further down the line. Other major customers included seven financial institutions with licensing agreements.

Non-professional users are primarily served through Internet financial portals. After getting off to a roaring start in 1999 and 2000, this segment subsequently underwent a drastic consolidation. The online data providers that survived this turbulent period were able to maintain their position on the Swiss market in 2003. Since April of last year, the use of realtime price reporting in this segment has picked up again.

The market data sector was hit hard by the massive job losses in international financial centres like Switzerland, London and New York between the second half of 2001 and mid-2003. Those that suffered most were vendors of data terminals. Given the reluctance of banks to take on new staff and the strict cost controls in place throughout the financial services industry, there is little chance of an increase in the number of data users in the foreseeable future, even though the outlook for equities is improving. Because of the notice period required for termination of data-terminal licensing agreements, however, the impact on EXFEED's revenues will be delayed. User numbers might even drop by a further 7% or so in the first half of 2004.

Numerous projects successfully completed

The market data industry expects aggregate realtime data to grow in the coming years. Projections call for a tenfold expansion of present volume. To ensure that the company is ready to meet this challenge in time and complies with the highest quality standards, a number of infrastructure and development projects were carried out in 2003. The most important of these included a new, direct interface between the virt-x and SWX Swiss Exchange trading systems and the EXFEED ticker plant (the central processing unit for realtime data), and the migration from X.25 to TCP/IP data stream technology.

Both these moves are designed to optimize data throughput and provide the flexibility to extend telecommunications bandwidths where necessary. Given the steady growth in data volume, this enhanced capability looks set to become an essential requirement.

EXFEED website in the lead

The latest addition to the EXFEED website was completed in December 2003, when online reporting became operational. This application enables licensees to report user numbers to EXFEED monthly via a data input form providing a breakdown by product and region. The numbers are then checked by an EXFEED account manager and automatically fed into the billing system. What was once a time-consuming and paper-based process is now settled with a few mouse clicks.

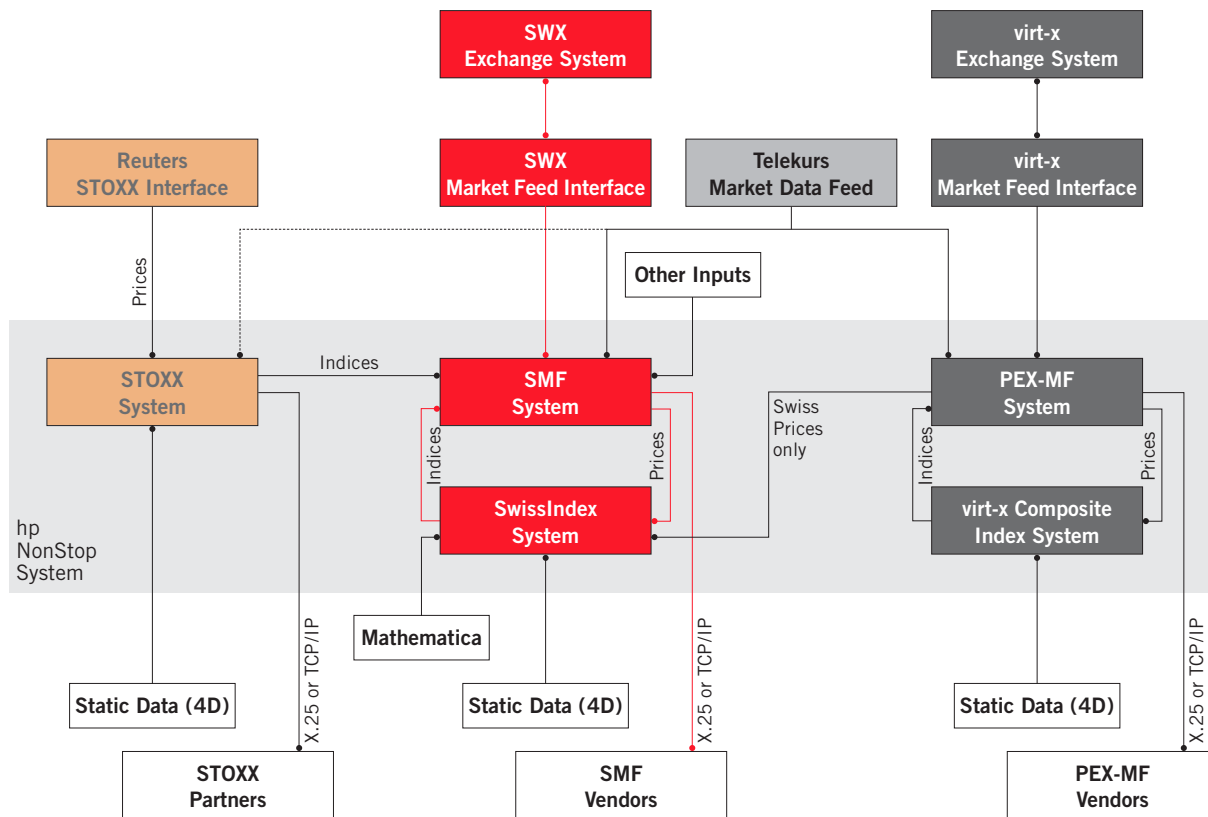
Strategic focus and new projects

EXFEED is constantly enriching its product and service mix, in order to meet changing information and disclosure requirements. Starting in January 2004, investment fund data featuring the TIF (Transparency in the Fund Market) product will be actively promoted. The data management system had already been introduced and standardized when the TIF project was finalized in spring 2003. The supplementary recording of master data gives EXFEED the opportunity to add meaningful market statistics to its product offering.

International regulations influencing business models

New international regulations (the EU Investment Services Directive [ISD], for example) relating to equity and debt markets also touch upon matters that affect providers of market data and information products. It is hard to gauge the consequences of these developments at this stage.

System architecture and data flow overview



Source: EXFEED