

EXFEED – GROWING DEMAND FOR RAW DATA

At end-2005, EXFEED was supplying data to a total of 133 customers. These included 29 traditional vendors. 13 data vendors operated direct connections to the EXFEED ticker plant.



“The strategic challenges facing us lie in the increasing integration of Europe’s financial markets and, especially, in new regulatory frameworks.”

Werner Bürki, CEO, EXFEED

The number of professional users steadied at around 60 000 by the end of the reporting period. A gratifying development in this segment was the switch by 1300 subscribers from level-1 to level-2 service (the latter provides depth-10 market information). EXFEED’s revenue was boosted accordingly. Thanks to the buoyant mood on financial markets, the number of non-professional customers (private investors mostly working through e-trading portals) rose further.

Results up on previous year

Revenue from basic fees, combining technical hook-up fees and flat-rate data-operating licences, climbed 10% to CHF 3.3 million. This reflected a renewed upturn in business activity within the data industry, triggered by the entry of new providers. User-dependent exchange fees increased by just under 5% to CHF 16.4 million.

Overview of results		
Revenue	CHF 19.8 million	+5.9%
Operating expenses	CHF 8.3 million	-2.0%
Operating profit	CHF 11.4 million	+12.0%
Net earnings after licence fees and taxes	CHF 2.2 million	+85.8%

Source: SWX Swiss Exchange

Total revenue rose by 5.9% to CHF 19.8 million in the reporting year. Thanks to savings on operating, administrative and marketing overheads, expenses were reduced by CHF 150 000. Operating profit before licence fees and taxes totalled CHF 11.4 million, up 12% on the 2004 figure. Net earnings after licence fees and taxes came to CHF 2.2 million, compared with the year-earlier level of CHF 1.2 million.

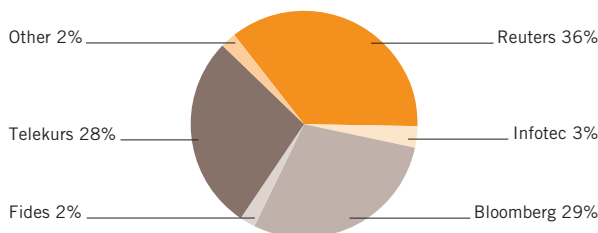
As a result of the technical upgrades implemented in 2004, data availability and throughput were considerably enhanced. This showed up as significantly higher quality in day-to-day operation, with the added benefit that fewer customers had to call the company's help desk.

Data flows for Quotematch

Product development during the reporting period focused on two new projects. Both are meant to further SWX's strategic aim of becoming the leading exchange for securitized derivatives in Europe.

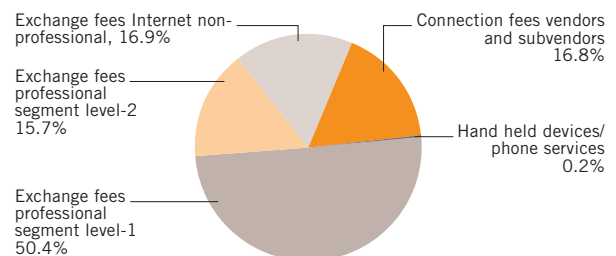
Quote Market Feed (QMF) is EXFEED's third realtime data distribution service. It was specially designed to meet the requirements of market segments with very high transaction rates. With its built-in mechanism for optimizing data throughput, QMF can process up to 6000 updates per second and relay them to customers in periods of peak activity. It also provides what has so far been a unique function, called scrubbing. This enables data users/vendors to set transmission capacity themselves, in accordance with the available communications bandwidths and their own system resources. The scrubbing mechanism ensures that for each individual customer, the most up-to-date quotes are always sent within the selected transaction rate per instrument. QMF was launched on 31 October 2005 to coincide with the introduction of Quotematch.

AVERAGE SHARE OF MAJOR VENDORS IN PROFESSIONAL SEGMENT IN 2005



Source: EXFEED

INCOME IN 2005



Source: EXFEED

Derivatives core data and identification numbers

EXFEED's second project was intended to underpin the SWX Swiss Exchange's growth strategy in the securitized derivatives segment. It led to a joint venture being established in August 2005 with dp Derivative Partners, an independent research firm based in Zurich. As a result of this alliance, EXFEED in mid-December launched a new optional service making it possible to offer high-quality core data and identification numbers for all SWX-listed derivatives. In this information package, derivatives are classified on a uniform basis regardless of their individual name category, thus enabling a transparent presentation. Using the numerous identification numbers provided, products can then be compared and analysed with little effort. Term sheets are made available through PDF links for securitized derivatives strike terms.

Strategic challenges

The growing integration of Europe's financial markets and, in particular, the new regulatory framework imposed by the Markets in Financial Instruments Directive (MiFID) represent major hurdles for the data business. MiFID, which is expected to be implemented in the member countries until November 2007, will have a significant impact on financial markets and the existing value-added chain, and hence on market data services too. Technological innovations, such as direct market access and algorithmic trading, will further change the relationship between information providers and users. No detailed prognosis can be made as yet regarding either the extent or the exact nature of the repercussions in store.