

ANNUAL REPORT 2006



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TELEKURS GROUP

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2006 AT A GLANCE

KEY FIGURES (consolidated)	2006	2005	Change
	CHF mm	CHF mm	in %
Operating revenues	697.8	648.3	7.6
Cash flow from operations	77.6	55.6	39.6
Earnings before interest and taxes	64.2	57.4	11.8
Annual net income	77.7	56.2	38.3
Total assets at December 31	982.3	834.2	17.8
Shareholders' equity at December 31	381.0	328.9	15.8

In 2006, the Telekurs Group generated net profits of CHF 77.7 million, an increase of CHF 21.5 million or 38.3 percent on the previous year. Total assets rose CHF 148.1 million, while higher profits on the year and the employer pension fund contribution surpluses raised shareholders' equity by CHF 52.1 million.

OPERATING REVENUES (consolidated)	2006	2005	Change
	CHF mm	CHF mm	in %
Card-based Payment Systems	386.5	363.2	6.4
Electronic Payment Systems	31.7	37.4	-15.2
Financial Information Services	243.1	229.7	5.8
IT and Facility Services	36.5	18.0	102.8
Total	697.8	648.3	7.6

Group operating revenues rose CHF 49.5 million to CHF 697.8 million, an increase of 7.6 percent on the year. During 2006, the largest shares of operating revenues were accounted for by Card-based Payments Systems and Financial Information Services, while the biggest percentage increase was achieved by IT and Facility Services.

TOTAL EMPLOYEES (full-time equivalent)	31.12.2006	31.12.2005	Change
Telekurs Multipay Ltd	142	138	4
Telekurs Card Solutions Ltd, including subsidiaries	336	341	-5
Swiss Interbank Clearing Ltd	53	52	1
Telekurs PayNet Ltd	26	23	3
Telekurs Financial Information Ltd	277	289	-12
Foreign subsidiaries and Rolotec Ltd	389	394	-5
Telekurs Services Ltd	482	446	36
Telekurs Holding Ltd	17	15	2
Total	1,722	1,698	24
Average over year	1,710	1,745	-35

At year-end 2006, the Telekurs Group had 1,722 full-time equivalent employees, 24 more than a year earlier. Average full-time equivalent headcount during 2006 was 35 lower than in 2005, a fall of 2 percent. Telekurs Services Ltd showed the greatest increase in employee numbers.

OPERATING RESULTS PER EMPLOYEE	2006	2005	Change
	CHF 1,000	CHF 1,000	in %
Operating revenues per full-time employee	408	372	9.7
Cash flow from operations per full-time employee	45	32	40.6

The Telekurs Group raised its profitability significantly during 2006. Operating revenues per employee rose nearly 10 percent, while operating cash flow per employee increased by over 40 percent.

DEAR SHAREHOLDERS,



**Stephan Zimmermann, Chairman of the Board of Directors, and
Walter Wirz, Chief Executive Officer**

2006 was a successful year for the Telekurs Group. The firm more than met the challenges arising from increasing competition in the card business, continuing integration of the European payments systems and the ever more stringent regulatory requirements placed on the world's financial markets, and was also able to strengthen its market position. High levels of systems availability and comprehensive risk management remain core competences, on which the Telekurs Group was once again able to build. Disciplined cost management and improved profitability also played

their part in the positive results reported here. As a result, sales, operating earnings and net profit for the Group all showed positive progress on the year. 2006 also saw extraordinary earnings from the MasterCard Worldwide initial public offering, so that consolidated net earnings for 2006 reached 77.7 million Swiss francs, a 38.3 percent increase on 2005. As these numbers show, the Telekurs Group maintained its operational momentum during the year under review.

Card-based Payment Systems, the business area comprising Telekurs Multipay, Telekurs Card Solutions, Telekurs Multisolutions and Telekurs Card Solutions (Deutschland) GmbH, generated operating profits of 386.5 million Swiss francs, a 6.4 percent increase over 2005. This growth partly results from the buoyant economic conditions prevailing in Switzerland, particularly in the retail and tourism sectors. The wide acceptance achieved by Telekurs products has also played its part, however, particularly the new davinci payment terminal, which incorporates the latest chip-based card technology. Dynamic Currency Conversion at point of sale, or DCC, also met with significant retail approval.

Timely development of new applications is at the heart of the strategy pursued by Telekurs's Card-based Payment Systems business, which introduced a number of innovative and flexible solutions, generating added value for the customer. Since 2006, for example, holders of China Union

REPORT BY THE CHAIRMAN AND THE CEO

Pay (CUP) cards have been able to make withdrawals from cash dispensers throughout Switzerland, and preparatory work for the launch of VISA's new V PAY debit card is now well under way.

Market penetration of debit cards reached a new record in 2006, with some 4.5 million cards registered in the Telekurs system in August. Internationally, Telekurs Multipay continued its "follow the customer" strategy, expanding its European acquiring business in line with objectives.

The Electronic Payment Systems business managed to cut its prices to customers significantly. Transaction charges for LSV+, the new direct debit system for revocable payments, were nearly halved compared to those of its predecessor, while prices in the SIC system were reduced by an average of 15 percent in July 2006. These notable price reductions, plus the fact that the old DTA service was moved to banks' e-banking platforms, meant that 2006 operating earnings in this business area were 31.7 million Swiss francs, 15.2 percent less than a year earlier.

In volume terms, Electronic Payment Systems achieved record results, with SIC processing 317 million transactions in 2006, a 23.7 percent rise on 2005, while euroSIC processed 3.1 million payments, 10.7 percent more than the year before.

Direct debit services were improved and redesigned. The new LSV+ service now provides financial institutions with a simpler and faster process for traditional direct debit transactions, while Business Direct Debit (BDD) provides corporate clients with a new, non-recourse capability. From 2007, the direct debit business will be integrated into Telekurs PayNet, whose existing business complements

this service well and which will thus be even better placed to identify and meet customer needs. Swiss Interbank Clearing will in future concentrate fully on the SIC and euroSIC payment systems.

Telekurs PayNet succeeded in winning new banks and invoice issuers for its electronic payment systems, thus further strengthening its market position in both the B2B and B2C areas. In B2C, the Swiss banks, PayNet and Post-Finance jointly launched a new e-billing service, which they expect will bring about a sustained increase in the acceptance of electronic billing among consumers.

Telekurs Financial Information Systems, the third business area, generated operating profits of 243.1 million Swiss francs, a 5.8 percent increase on 2005. Most of this growth was achieved abroad. Telekurs Financial sees the UK, Ireland, the USA, Japan and Singapore as the key growth areas for market and financial information services.

In Switzerland, Telekurs Financial again demonstrated its expertise in addressing compliance-related issues, by putting in place the mechanisms to provide financial institutions with the data they will need to meet the regulatory requirements of the EU's new Markets in Financial Instruments Directive (MiFID). A major new market data architecture project was also launched. This ambitious and forward-looking work involves the complete redesign of the entire market data production chain, and will enable greater volumes of data to be delivered to customers at an even faster rate.

REPORT BY THE CHAIRMAN AND THE CEO

During 2006, Telekurs Services took over the SIS computer center with its staff of around 70. The agreement with a major financial services organization, signed in 2005, for reciprocal use of computer center floor space was successfully implemented during 2006, thus optimizing the use of costly facilities space and IT resources. These and other rationalization measures were systematically pursued during the year, with the result that the Telekurs Group was able to make further substantial improvements to its operating efficiency, while maintaining a high level of data security. The tandem and mainframe systems were migrated to the latest hardware, thus further increasing peak capacity. Particular attention was paid to ensuring smooth operating performance.

The roughly 1,800 staff the Telekurs Group employs worldwide, their know-how and their ability to work together are critical factors in ensuring the Group's continued success in mastering the ever greater challenges which the financial marketplace presents. During 2006, we therefore implemented a number of incentive measures to provide a further boost to our company's positive performance culture.

On behalf of the Board of Directors and the Executive Committee we would like to thank all our employees worldwide for the commitment and hard work which has kept the Telekurs Group on course throughout 2006. A special word of thanks is also due to our customers and shareholders for their support and loyalty.



Stephan Zimmermann
Chairman of the Board of Directors



Walter Wirz
Chief Executive Officer

CHAIRMAN OF THE BOARD OF DIRECTORS AND THE EXECUTIVE COMMITTEE



The Chairman of the Board of Directors and the Executive Committee (from left to right):
Hans-Martin Moser, Eugen Niesper, Robert Bornträger, Stephan Zimmermann (Chairman of the Board of Directors),
Walter Wirz (CEO), Felix Aeschlimann, André Bamat.



RISK MANAGEMENT AT THE TELEKURS GROUP

The Telekurs Group makes a decisive contribution to the smooth functioning of Switzerland's financial marketplace, providing essential infrastructure services to market participants. As the markets across the globe become ever more interconnected, Telekurs is assuming an increasingly important role as a hub for cross-border transactions.

Security forms the bedrock of the trust-based relationships the Telekurs Group maintains with its shareholders, clients and business partners, and it is one of the key drivers of the added value the Group generates. Telekurs therefore ascribes paramount importance to managing risk.

The Telekurs Group bases its risk analysis on a clear distinction between strategic, operational and asset risks. Strategic risks emanate from market and sector conditions and from the competitive climate. Operational risks are the potential financial and reputational penalties which the Group would incur in the event that operating processes fail to perform correctly, be it as a result of fraud or systems malfunction. Asset risks result from the impairment of asset values and may have causes such as fluctuations in interest or foreign exchange rates or debtor default. For each of these risk categories, the Telekurs Group has mapped out a risk profile which quantifies each risk by scale and probability.

The Telekurs Group has defined a fundamental risk strategy which it has submitted to the Board of Directors. This strategy includes a risk management framework which addresses each of the three risk categories. The following targeted approaches have been defined for each type of risk:

Minimize risks: This is applied as a general principle to all operational risks. Total quality management, appropriate process design and effective internal controls all help to reduce operational risks significantly.

Consciously enter into risks or deliberately avoid them: This principle applies particularly to strategic risks. Such

risks are taken if the risk/reward profile is sufficiently favorable; they are avoided if the expected return does not adequately compensate for the risk taken.

Transfer risks: Risks to assets are generally transferred. This applies particularly to physical assets, which are fully protected against elemental risks by being adequately insured. Currency risks, on the other hand, are systematically hedged. The Telekurs Group's portfolio of insurance policies is tailored to the risk strategy and based on the criteria of feasibility, insurability and the cost/benefit attributes of risk transfer.

The Telekurs Group conducts an annual risk review. In 2006, this review was integrated into the strategy process for the first time, in order to ensure its coherence with the key business goals set. The risk management framework, which earned a favorable assessment from the Fitch rating agency, is continually being developed and enhanced.

NEW CHALLENGES FOR THE RISK STRATEGY

The risk strategy is currently being harmonized with the internationally accepted model put forward by the Treadway Commission's Committee of Sponsoring Organizations (COSO). This work is being undertaken to ensure that compliance risks and the risk that the Group's financial reporting might not reflect its true revenue and balance sheet situation are explicitly incorporated into the risk framework.

The principal motivation for this step is that – starting with the annual reports for the financial year 2008 – the legal basis of company law in Switzerland will change. The revised Swiss Federal Code of Obligations will then require companies to underpin their financial reporting with

“Secure and VAT-compliant archiving of electronic invoices is a key feature of Henkel's EBPP project. It will, however, take us some time to set up an electronic invoice archiving system of our own which meets all the specifications required by law. In order to ensure a rapid and smooth start for our EBPP project immediately, the Henkel Group decided to use PayNet's Online Archive facility. Having reviewed the application thoroughly with our auditors, we are convinced that PayNet's services offer a very high level of professional integrity. It is thus no surprise that we were able to go live in December 2006 without a hitch. We are sure that in PayNet we have chosen an experienced and competent partner.”

René Michel: Head of Logistics, Detergents and Cosmetics, Henkel & Co. Ltd, Pratteln

“For the last ten years ÖWS has been purchasing Telekurs data, and they are used for client portfolio valuations by nearly every bank in Austria. Quality, availability, security and cost of data are what counts for us and our clients. Telekurs's service, the quality and international breadth of their data, and the congenial and cooperative way they work with us substantially meet our needs. That is why we decided to sign a long-term contract with Telekurs last year.”

Martin Hödl, Managing Director, Österreichische Wertpapierdaten Service GmbH (ÖWS), Vienna



The COSO II Enterprise Risk Management Framework, published in September 2004, is now viewed as the benchmark for enterprise-wide risk management. The COSO cube serves to visualize the risk management process at enterprise level in the three dimensions of internal control objectives, components of enterprise-wide risk management, and organizational structure.

a comprehensive internal controls system (ICS). All risks which could have a material effect on the annual results must be covered by appropriate process documentation. Company management must define appropriate measures to minimize risk, and their observance and effectiveness must be regularly reviewed. Auditing of the annual accounts will include verification of the existence of an appropriate ICS. In addition, a comprehensive risk analysis is required on an annual basis. By bringing its risk frameworks into line with COSO, the Telekurs Group will further facilitate communication not only between the Board of Directors, the Audit Committee and the internal auditors, but also between the company and its external auditors.

BUSINESS CONTINUITY CRITICAL TO RISK MANAGEMENT

A significant source of operational risk for the Telekurs Group arises from the potential threat – be it as a result of error, improper conduct or criminal intervention – to its ability to continue serving its customers (its so-called business continuity). As a major service provider to Switzerland’s financial markets, the Telekurs Group has a duty not only to ensure its own business continuity but also to support that of the entire marketplace. This risk thus requires particular attention.

Business Continuity Management (BCM) is a holistic management process, whose purpose is to ensure continuity and stability in the delivery of services in the interests of all stakeholders. BCM identifies possible sources of risk to the company, thus enabling management to institute preventive measures which will ensure a high degree of operational resilience. BCM defines the strategic and operational basis (through policies, processes and assignment of responsibilities) for continuity assurance to be planned into the Group’s business processes. BCM thus

encompasses IT systems, infrastructure, human resources and business processes.

Business Continuity Planning (BCP) is the process by which concepts, solutions and crisis management are put in place to address emergencies should they occur. It includes measures for coping with catastrophe (principally in the areas of IT and infrastructure) and ensures that strategically important business activities can continue to be carried out. BCP supports the business continuity management process by ensuring that the resources necessary for maintaining key business processes are available within the necessary and agreed time frames.

BUSINESS CONTINUITY MANAGEMENT OBJECTIVES

Business continuity management's objectives are defined by the Group's security policy. In the event of a crisis, the following priorities apply:

- Ensuring that strategic business activities in the front business units and companies can be maintained to a level meeting business requirements
- Ensuring that legal and contractual obligations are met
- Ensuring that all data necessary for the resumption of operations are appropriately saved and stored
- Full resumption of business operations and assurance of data integrity within the defined time frames
- Supervision and management of all operations resumption processes
- Reduction of downtime

In order to ensure business continuity, the Telekurs Group has defined a set of norms, processes and tools, which are continuously being developed and enhanced. These range from the description of general security policies to process definitions and documentation to exercises and technical inspections.

“For us, cashless payment transactions and Telekurs are synonymous. As Switzerland's undisputed market leader, Telekurs can always be counted on for tailor-made solutions, innovation and reliability. Thanks to its many years of experience, Telekurs is demonstrably very competent in all matters relating to cashless payments. We appreciate the excellent working relationship we have with them, and the professionalism with which they support our business.”

Sabrina Bertschi, Administration Manager, ENGADIN mountain lifts, St. Moritz

“By choosing davinci PINPAD, Hotelplan opted for a particularly innovative solution, in a project where all parties concerned were pushing the envelope. Thanks to their extreme dedication, the technical specialists from Telekurs, Migros and Hotelplan managed to master all the challenges involved, and implementation ran very smoothly. Our sales staff now have a new tool which considerably facilitates their work. We chose Telekurs Multipay, because we trust the company. They are reliable and have a wealth of experience they can bring to bear. We look forward to continuing our constructive collaboration with Telekurs Multipay.”

Lucas Truttmann, Head of Finance and Accounting, Hotelplan Ltd

Because data must be secure and available at all times, the Telekurs Group runs a fully productive back-up computer center in a location separate from its main computer center at headquarters. Either center can instantly stand in for the other should the need arise. Furthermore, highly sensitive data is backed up in a third location.

INTERNAL AND EXTERNAL AUDITS

In order to ensure that business continuity is effective, the Telekurs Group conducts business impact analyses to show what effect specific interruptions would have on business activity. This makes it possible to evaluate the risks to critical processes, and thus define and document scenarios for business continuity. All project and maintenance work carried out must adhere to the business continuity requirements.

The Telekurs Group carries out regular internal audits at all Group companies. Regulatory and supervisory bodies (such as the Swiss National Bank or card organizations like MasterCard and VISA) also conduct inspections to ensure that the companies are adhering to directives and fulfilling their contractual and legal obligations. These inspections examine not only the efficiency of processes and organizations, but also the smooth functioning of back-up systems.

Security is a top priority throughout the Group and is addressed efficiently. The Telekurs Group aims to identify risks early, and to institute procedures which provide adequate protection to the integrity, confidentiality and availability of its products, systems and applications. IT security is managed, controlled and assured by a Chief Security Officer (CSO), a Security Committee and an established set of ownership principles.

Quality management aims to ensure that systems and services operate efficiently and without interruption. The Telekurs Group has defined its service processes in line with IT Infrastructure Library best practice. Agreements have been established between Group companies and Telekurs Services, as the operator of the central IT infrastructure, governing the quality and the level of services provided. These service level agreements also cover crisis eventualities. Quality management is underpinned by comprehensive and permanent reporting on the quality of service operations.

COMMUNICATION AND TRANSPARENCY

If extraordinary events or emergencies occur, the Telekurs Group will immediately inform all affected business partners. Guidelines and procedures govern how this information process will function in the event of major disasters. Communication and transparency are indispensable to a company which, like Telekurs, operates in a sensitive economic sector, and this is never more true than in times of crisis.



IT'S PERFORMANCE THAT COUNTS

Growth in the volume of cashless payments continues unabated. In 2006, Telekurs Multipay Ltd not only benefited from this trend, it also helped to accelerate it by launching a range of secure and innovative new products.

The new Dynamic Currency Conversion (DCC) system and the high-performance davinci payment terminal both gained wide market acceptance. Favorable economic conditions also helped the market to grow.

Telekurs Multipay operates in a growth market. Debit card transactions grew by 8 percent during 2006, while credit card use rose 6 percent. The buoyant economy helped to intensify card usage, especially in the retail and tourism sectors. A new phenomenon for Switzerland was that large retailers began issuing credit cards with no issuing charge. Telekurs Multipay anticipates that these cards will help to broaden the appeal of plastic money, thus spurring further growth in the cashless transactions market.

As the market leader, Telekurs Multipay aims to benefit from this growth and sign up as many new acceptance locations as possible. To achieve this, Multipay aims to differentiate itself clearly from its competitors by offering high-quality services, providing added value for its customers.

Internationally, Telekurs is pursuing a "follow the customer" strategy, providing continuing support to its Swiss customer base as they expand into markets abroad. The most notable potential is in the markets of Central and Eastern Europe, where Telekurs Multipay is already providing services to three retail chains and various customers selling via e-commerce and by telephone. Further cooperation initiatives with Swiss companies are currently in development, in order to enhance the company's international presence further.

The acquiring market is undergoing a period of profound change. In the European Union, the Single Euro Payments Area, or SEPA, is a key issue. The EU Commission's goal is to create a single euro payments area by 2010. Interchange fees on transactions between countries should then be identical to those within one country. The advantages which the euro has brought to cash transactions should thus be extended to cashless payments (see also the Swiss Interbank Clearing Ltd report on this subject).

CUSTOMER-FRIENDLY SERVICES

Telekurs Multipay is putting the "It's performance that counts" strategy into practice by offering customers comprehensive terminal infrastructure packages. This one-stop-shop approach provides customers with all the elements they need for simple, reliable and rapid processing of their cashless payments, all from one single provider.

Dynamic Currency Conversion (DCC), initially launched in 2005, met with resounding approval. This innovative service offers automatic currency conversion at a rate which is fixed once a day. The cardholder can choose whether a transaction will be processed in his card currency, at a rate offered to him on the spot, or passed on to the card issuer in Swiss francs. Merchants with a high proportion of foreign customers, particularly tourism enterprises, hotels, restaurants, jewelers and skilift operators are active users of DCC.

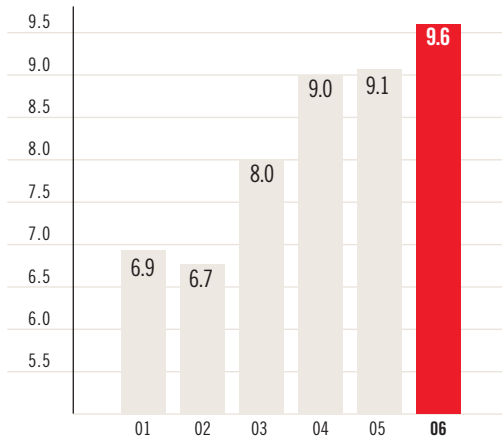
NEW ADVANCES IN SAFETY STANDARDS

VISA recently launched V PAY, a new debit card. This card's technology is based on a chip in the card which verifies the PIN input by the cardholder, and operates solely on new EMV/ep2-enabled terminals. The chip has been designed to comply with SEPA specifications. Telekurs Multipay was the first Swiss acquirer to enter into a V PAY agreement for Switzerland with VISA. Multipay will thus enable retailers to accept V PAY cards as soon as they are issued in Switzerland.

The range of possible uses for CASH prepaid cards was also extended during 2006. This niche product is a substitute for cash at unmanned points of sale, such as ticket machines for car parks and public transport and self-service restaurants. It has found increased acceptance with bus and tram services and car park operators. Telekurs Multipay is now developing additional features for this product, in readiness for the new generation of chips to be launched in 2008.

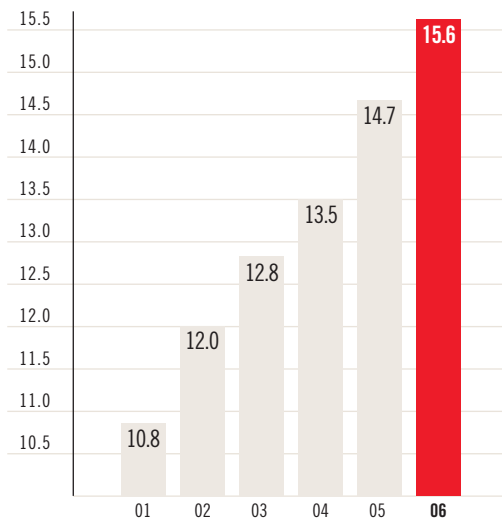
In the spring of 2006, Telekurs Multipay entered into a cooperation agreement with the Chinese card issuer China UnionPay (CUP). Since August, Chinese tourists have been able to use their CUP cards to withdraw cash from cash machines throughout Switzerland. China, now the world's fourth largest economy, is among the fastest-growing card markets in the Asia Pacific region, with more than 950 million cards in issue. The majority of these cards will become CUP cards in the next few years. As the scale of individual

VISA AND MASTERCARD TRANSACTIONS
IN CHF BILLIONS



During 2006, Telekurs Multipay processed nearly CHF 10 billion worth of credit card transactions, representing a 39 percent increase in volume over the last 5 years. VISA transaction volumes are included from 2003 onwards.

MAESTRO TRANSACTIONS
IN CHF BILLIONS



Debit card transaction volumes rose 6 percent in 2006 and have increased by nearly half since 2001. The chart shows the volume of transactions in Switzerland using Maestro cards issued in Switzerland. Withdrawals from cash dispensers are not included.

tourism from China increases, Telekurs Multipay intends to extend the acceptance of CUP cards to points of sale also.

INNOVATION BEHIND THE SCENES

Telekurs Multipay observes developing market trends closely, in order to develop new solutions for and with its 65,000 customers, operating in practically every business sector. The company's heterogeneous customer base, ranging from boutiques to large corporations and from start-ups to established companies, makes for a wide range of differing requirements and priorities. Addressing these needs with flexible and innovative solutions is a particularly valuable way of strengthening customer relationships. Fast, secure, client-tailored services and products are essential tools for differentiating Telekurs Multipay from its competitors.

For Telekurs Multipay, innovation is not restricted to one-off product developments, however. Rather, it is practiced as an ongoing process. This is essential in order to maintain the growth rates of up to 10 percent (involving some 17 to 18 million additional transactions at current volumes) seen in recent years.

Behind-the-scenes innovations make it possible to achieve great synergies between the different companies which make up the Telekurs Group. As an acquirer, Telekurs Multipay benefits from the technical advances being made by Telekurs Card Solutions and Telekurs Services.

TAPPING NEW MARKET POTENTIAL

In 2007, Telekurs Multipay will continue to implement its strategy of further enhancing its share of the domestic market, benefiting from current positive trends, notably in the credit card market. Internationally, Multipay will continue actively to support its Swiss clients as they make further advances into new European markets.

Multipay intends to exploit the full market potential for cashless payments, particularly in new areas. Social security, health insurance and dentistry are all areas in which the use of cards is perfectly conceivable, although it will require some persuasion of cardholders and service providers.

The results of a segment-specific customer survey will be available in early 2007, enabling Telekurs Multipay to identify group-specific customer needs and provide high-quality tailor-made services to meet them.

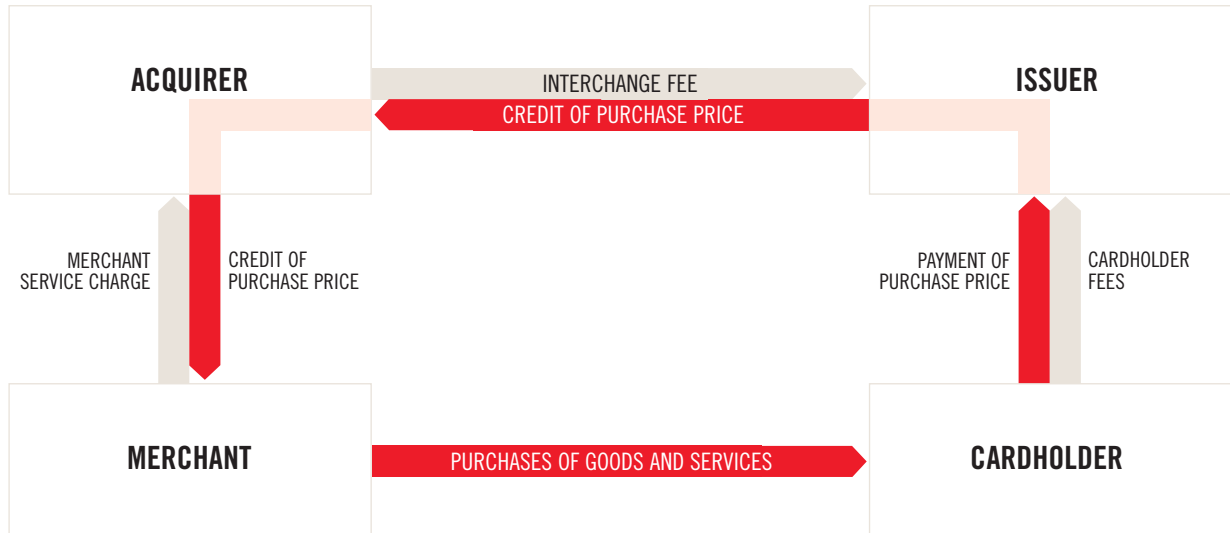
Early 2007 also sees the launch of Mobile Voucher, a new Telekurs Multipay product which will enable users of prepaid mobile phones to top up their credit balances at payment terminals. Having secured Migros as a launch client, Telekurs Multipay will be able to introduce this service throughout Switzerland. Since Mobile Voucher is ancillary rather than integral to the card business, and is not directly related to payments traffic, in 2006, the Telekurs Group founded a new subsidiary, Telekurs Multi Solutions Ltd, to develop this business.

A word on Secure E-Commerce

The security considerations affecting payments by credit or debit card vary according to whether payment is made when the customer is physically present at the point of sale or not. When the customer is physically present, the merchant is able not only to verify the card but also observe the customer's behavior.

Such checks are not possible in remote transactions, i.e. in the case of electronic or telephone orders. Thanks to Secure E-Commerce, which Telekurs developed jointly with the two leading credit card organizations, significant improvements in transaction security have been achieved. The MasterCard SecureCode and Verified by VISA applications set new security standards. These applications use a personal password which enables the cardholder to authenticate himself vis-à-vis the card-issuing bank. The password thus fulfills the function of the signature on the sales voucher used in transactions where the cardholder is physically present. The new application also transmits all credit card data securely, using SSL (Secure Socket Layer) encryption technology.

The security of card transactions for orders by mail or telephone is assured by Telekurs Multipay's MAIL/PHONE ORDER contract, which stipulates the various conditions under which credit cards can be used in payment of orders made by mail or telephone.



The flow chart shows transactions between the four parties involved in a credit card transaction. Note that acquiring and issuing are not carried out by the same company. Providers of goods and services who accept payment by credit card (acceptance locations) enter into a contractual agreement with an acquirer, such as Telekurs Multipay. The acquirer then transmits all credit card transactions from their acceptance locations to the card issuer and credits the acceptance location with the purchase price of the goods or services paid for by credit card. The issuer charges the credit card transactions to the cardholder's accounts.

In early 2007, a new service will be offered in e-commerce acquiring. DCC (Dynamic Currency Conversion) will in future be offered not only at points of sale, but also for orders placed over the internet. E-commerce consumers will then also be offered the choice between having the amounts of their foreign currency purchases converted into their card currency instantly, or having them passed on to the card issuer in the orig-

inal foreign currency. Finally, acquiring initiatives will be extended to Maestro cards for internet-based transactions.

2007 will thus be another year in which customers can count on a range of secure and innovative new products from Telekurs Multipay.



ADDING VALUE THROUGH INNOVATION

2006 was a very successful year for Telekurs Card Solutions Ltd. The firm achieved its strategic objectives in its three activity areas, thus establishing a solid platform from which to address the challenges of 2007.

A particularly notable success was the wide market acceptance generated by the new EMV/ep2-enabled davinci payment terminals, which significantly improve the security and speed of cashless payment transactions.

Telekurs Card Solutions Ltd operates in three areas: providing payments infrastructure at the point of sale (POS), acquiring processing and issuing processing. Acquiring processing is the processing of transactions between so-called acquirers – such as Multipay – and their acceptance locations (merchants accepting cards for payment) – see flow chart on page 23. Issuing processing involves the technical processing of transactions for the issuers of credit and pre-paid cards.

Intense competition from domestic and international providers is a feature of all the market segments in which Telekurs Card Solutions operates. Pressure on prices is thus intense.

Telekurs Card Solutions achieved its strategic goals: in Switzerland, it further strengthened its market leadership position in the POS business, while in acquiring processing it launched a number of new value-added services for its customers. In the rest of Europe it gained new customers, thus strengthening its market position outside Switzerland. In issuing processing the number of direct links to banks was increased.

SUCCESS WITH davinci

2006 was a very successful year for Telekurs Card Solutions in its POS operations. The new, more powerful and faster davinci terminals are now used by Switzerland's two largest retailers, Migros and Coop. 2006 saw Telekurs Card Solutions build on the sales success which these terminals had already achieved the year before. The switch to the new davinci terminals was executed smoothly and – given the size of the project – in a relatively short timeframe.

The cashless payments market is currently switching to EMV/ep2 technology, and older generations of terminals are being replaced. EMV is an international standard, offering increased security and greater protection against misuse, based on new chip technology. The system was developed jointly by MasterCard and VISA, the initials EMV designating Europay, MasterCard and VISA, while ep2 is the Swiss national processing protocol for EMV-enabled terminal transactions. This new chip technology also enables payment transactions to be handled off-line, which reduces processing time further.

Security is indispensable to all electronic funds transfer processes. This is particularly true for remote business, especially e-commerce. With Saferpay, Telekurs Card Solutions has developed an open, flexible payment platform, meeting stringent safety criteria for purchases made by telephone or over the internet. Saferpay places Telekurs Card Solutions among the leading e-commerce service providers in Europe.

Security standards used in fraud prevention and detection are constantly being refined, in order to keep pace with the latest developments. A centralized Fraud Competence Center collects and analyzes all information suggestive of possible fraud, taking early preventive action to clamp down on card misuse. Telekurs's early warning system is able to perform a detailed analysis of potentially suspect card use and merchant conduct.

NEW SERVICES FOR CUSTOMERS

Innovation is key to the success of Telekurs Card Solutions, which makes annual investments of some 10 million Swiss francs in software and product development. Telekurs Card Solutions' innovation skills are evidenced by the constant stream of new, value-added products it offers its customers.

Telekurs Card Solutions' value-added products are also opening up new ways of doing business for the firm's customers. Telekurs Card Solutions developed the software used in the new Dynamic Currency Conversion (DCC) at point of sale application as well as that for the new Mobile Voucher product. Both applications are enjoying considerable success (see Telekurs Multipay Ltd section of this report).

Telekurs Card Solutions' flexible and comprehensive reporting applications enable customers to handle payment transactions easily and integrate all the necessary data into their bookkeeping systems.

ACQUISITION SUCCESSES IN EUROPE

Telekurs Card Solutions gained a number of new acquirers in neighboring European countries. In Germany, ten network operators were connected to Telekurs systems, thus enabling the company to meet its targets for expanding its

TELEKURS CARD SOLUTIONS LTD

TRANSACTIONS PROCESSED

IN MILLIONS

	2006	2005	Change in %
Cash dispenser transactions	155.5	149.0	4.4
Retail transactions for acquirers	267.7	248.0	7.9
Debit card transactions for issuers	80.8	45.8	–
Value-added transactions	49.8	2.5	–
Total	553.8	445.3	25.4

During 2006, Telekurs Card Solutions processed some 554 million transactions, an increase of more than one quarter on the year before. The largest growth occurred in value-added transactions, which provide customers with new ways of doing business.

PAYMENTS AT POS TERMINALS

IN MILLIONS

	2006	2005	2004	2003	2002
Debit cards	180.5	167.6	158.4	145.7	133.5
Credit cards	68.4	61.2	57.8	42.4	41.5
E-cash cards	18.8	19.2	19.0	19.4	20.5
Total	267.7	248.0	235.2	207.5	195.5

In 2006, some 8 percent more point-of-sale payments were made than in 2005. Measured over a five-year period, the overall number of payments made at POS terminals increased by 37 percent, with the number of credit card payments increasing by 65 percent.

acquiring activities in Europe. Telekurs Card Solutions continues to develop its open platform for card-based payment transactions, its goal being to be able to process the cards of all issuers in its target markets.

DIRECT ACCESS TO BANKS

“Online to Issuer” is a new Telekurs Card Solutions service, enabling banks to verify card-based payment requests made at 3rd party terminals against available customer funds and, provided sufficient funds are available, to authorize payment online. Online to Issuer became firmly established in 2006. Having initially been successfully tested in a pilot project with UBS and Credit Suisse in 2005, the service is now being used by the cantonal banks of St. Gallen, Lucerne and Thurgau.

Telekurs Card Solutions has also initiated a new e-reporting service, which provides banks with client transaction statistics via the internet rather than on paper. This delivers information faster, cheaper and more securely, and also makes it much easier to access transaction statistics.

Market penetration by debit cards reached a new peak in August 2006, when the number of cards registered in the Telekurs system exceeded 4.5 million for the first time.

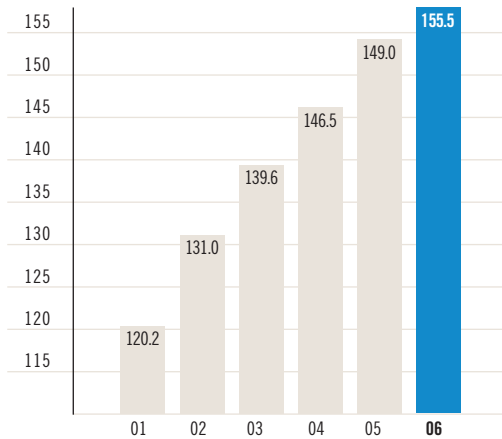
COMPETENCE CENTER FOR CHIP DEVELOPMENT

Telekurs Card Solutions sees itself as a center of competence for banks in the area of chip development for payment cards. The firm is playing a leading role in the development of the new EMV1'08 generation of chips, which implements cutting-edge technology in card usage, offering a range of additional features.

A word on payment terminals

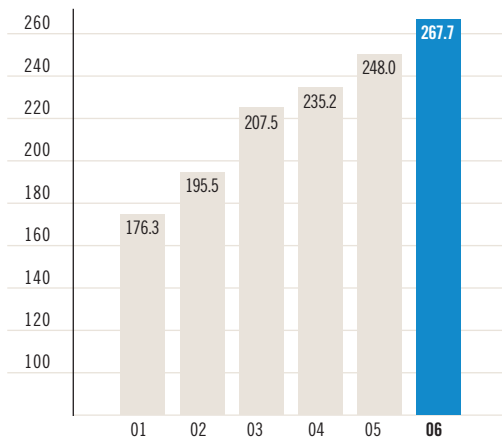
By introducing its latest generation of payment terminals and the infrastructure supporting them, Telekurs Card Solutions has brought about a lasting improvement to the security enjoyed by all participants in the card-based payment traffic arena. The new davinci and xenta range of terminals process each transaction via a chip, thus markedly enhancing security. The security features of the chips used in cards are regularly being enhanced and, besides other functions, the new generation of chips makes secure off-line authentication possible.

WITHDRAWALS AT CASH DISPENSERS
IN MILLIONS



A total of 155.5 million individual cash withdrawals were made from cash dispensers in Switzerland during 2006. This represents a 4.4 percent increase on 2005 and a 29 percent increase since 2001.

PAYMENTS AT POS TERMINALS
IN MILLIONS



Cashless payments are clearly gaining market share. A total of 268 million payments were made at POS terminals in Switzerland during 2006, 8 percent more than the year before.

EMVI'08 allows Telekurs to offer a new e-banking application, the Chip Authentication Program (CAP). By using a CAP-enabled Maestro card, an e-banking client can authenticate himself vis-à-vis his bank. This additional function sets an international standard for authentication with a high degree of security. A CAP pilot project will be started during 2007.

OUTLOOK FOR 2007

The first half of 2007 will also see the launch of a new generation of payment terminals named xenta, with xentissimo as a mobile version for users such as restaurants and home delivery services. These devices will replace Telekurs's second payment terminal line, smash.

In e-commerce, Telekurs Card Solutions will continue to develop and enhance the Saferpay platform, while in acquiring processing, the firm intends to continue expanding its operations in Europe. On the issuing processing side, the completion of the EMVI'08 pilot project is a key objective.

In 2007, Telekurs Card Solutions will further expand its processing platforms and extend its range of services with innovative new products, offering customers added value and increased efficiency and thus keeping in shape for future challenges in the card business.



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.. Interval Logoff
2002 SICG EU1          Protoko
7/      /      /      /      -----
10:01:00 MOFK          B11 SIC6017W
10:02:00 MOFK          B11 SIC6017W
10:02:00 MOFK          B11 SIC6017W
10:02:00 MOFK          B11 SIC6017W
10:02:00 MOFK          B11 SIC6017W
10:03:00 MOFK          B11 SIC6017W
10:04:06 MOFK          B11 SIC6079I
10:04:12 MOFK          B11 SIC6031I
                        >SSR01200701
10:04:13 MOFK          A13 SIC6061I
                        #SSR01sr
10:04:17 MOFK          B11 SIC6007I
                        >AST0010NM200
10:04:17 MOFK          B11 SIC6024I
                        #AST0010MM200
10:04:17 MOFK          B11 SIC6025I
10:06:09 MOFK          C04 SIC6002W
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A KEY ROLE IN THE SWISS FINANCIAL CENTER

Swiss Interbank Clearing Ltd worked extremely successfully in 2006, surpassing its operational objectives. The SIC interbank clearing system alone handled 317 million transactions during the year, 23.7 percent more than in 2005. The number of transactions handled by euroSIC grew by 10.7 percent.

Swiss Interbank Clearing also launched various new services, particularly in the direct debit area. Efforts to establish a single euro payment area in Europe are currently a major theme in the international payments market.

Swiss Interbank Clearing is mandated by the Swiss National Bank (SNB) to operate an interbank payment system for the Swiss franc. SIC settles payments between financial institutions in real time, and is of central importance to the Swiss financial center, providing the SNB with a vital instrument for the implementation of its monetary policy. Each day, transactions to the tune of some 180 billion Swiss francs are settled through the SIC system, an amount representing nearly half of Switzerland's annual gross domestic product.

Swiss Interbank Clearing also has a mandate from Switzerland's financial institutions to operate the euro-SIC interbank payment system for transactions in euros. This system is run and monitored by SECB Swiss Euro Clearing Bank GmbH in Frankfurt. Via euroSIC, Switzerland has an interface to all 17 European real-time gross settlement systems for the euro.

In addition to settling interbank payment transactions, Swiss Interbank Clearing also provides efficient direct debit services, through its LSV+ and BDD procedures.

SINGLE EURO PAYMENTS AREA

Integration initiatives in Europe were a key feature of the international payments market during 2006. The European Union intends to integrate the euro area's current highly

fragmented payments markets into one single European market. The European Payments Council, a body composed of banks and banking associations, has laid the foundations for a fully automated and standardized payments infrastructure and, thus, for a Single Euro Payments Area (SEPA).

This development affects Switzerland too, since on March 8, 2006, the EPC decided to include Switzerland among the SEPA member states. Via euroSIC and the SECB in Frankfurt, Swiss banks will, in the near future, be able to connect to SEPA credit transfer and direct debit instruments and thus offer their clients SEPA services for euro transactions.

Swiss Interbank Clearing offers remote connectivity to domestic and international financial institutions. This remoteGATE service enables these banks to connect to SIC and euroSIC, thus also gaining access to the automated securities settlement services offered by Swiss Value Chain, Switzerland's integrated financial markets infrastructure. By the end of 2006, 100 financial institutions were using remoteGATE to connect to SIC and euroSIC.

RECORD TRANSACTION VOLUMES

Interbank payment systems handled record volumes of transactions in 2006. The number of transactions handled by SIC rose 23.7 percent to 317 million. In monetary terms, turnover reached 44.8 trillion Swiss francs, up 9 percent on the year before. In 2006, euroSIC handled 3.1 million transactions worth more than 745 billion euros. This represented an 10.7 percent increase in the number of transactions and a 1.7 percent increase in their monetary value. Volumes processed by the LSV+ and BDD direct debit procedures also saw significant increases in 2006, with 41.1 million transactions being processed, an increase of 5.1 percent.

This very good performance is partly due to the robust economic climate, and partly to diversification in the services sector, which has led to an increase in the number of in-

A word on security: the IBASEC interbank security system

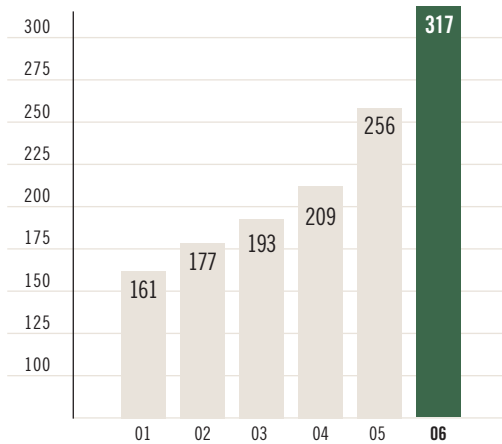
Over ten years ago, Swiss Interbank Clearing and the Swiss banks jointly developed the Telematic-Based Security Service (TBSS), thus laying the foundations for the IBASEC system. Today, IBASEC is used both for the SIC and euroSIC payments systems and for SECOM (Settlement Communication System), which is used for securities settlements. The standardized processes which were introduced with IBASEC fully meet current security requirements, but the encoding devices need to be upgraded. Swiss Interbank Clearing has selected ultramodern devices which support client-specific customization, and has also made the necessary modifications to the IBASEC application to accommodate the new devices. During 2007, all IBASEC users will implement the new security modules, and the change-over has been planned in such a way that users of all three systems (SIC, euroSIC and SECOM) can migrate with only minimal effort.

voices. Telecommunications consumers, for example, now often receive two or three bills, instead of one formerly. These large transaction volumes enabled Swiss Interbank Clearing to reduce its prices significantly on July 1, 2006. On December 29, 2006, the SIC system processed 3.8 million payments, a historic record for a single day.

NEW DIRECT DEBIT SERVICES

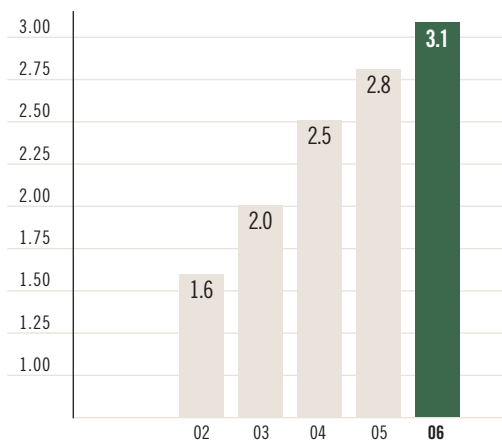
2006 was another year in which Swiss Interbank Clearing demonstrated its innovative prowess, offering new solutions. The direct debit services offered by Swiss Interbank Clearing were redesigned in 2006. The new LSV+ offers financial institutions a simpler and faster procedure. Once funds availability in the account to be debited has

SIC TRANSACTIONS IN MILLIONS



The SIC system processed a record number of interbank payments during 2006, 317 million or 23.7 percent more than in 2005.

euroSIC TRANSACTIONS IN MILLIONS



The number of payments handled by euroSIC rose 10.7 percent during 2006. Since the introduction of the euro in 2002, transaction volumes have nearly doubled.

been verified, every direct debit transaction is now debited and credited individually, thus greatly reducing the number of objections and the returns they give rise to. This cuts processing costs both for banks and for creditors, so much so that LSV+ has practically halved transaction costs. Migration to LSV+ was completed on time at the end of October.

Another innovation is Business Direct Debit (BDD), a second form of direct debit developed especially for corporate clients. This procedure is primarily aimed at transactions carried out on a delivery-versus-payment basis, and enables the recipient of goods to issue a debit authorization without right to objection. Transactions of this type are common between oil companies and filling stations, for example.

With the IBAN tool, Swiss Interbank Clearing has created an electronic application which will enable all Swiss financial institutions to generate IBANs, or international bank account numbers, automatically. IBAN is a method for standardizing account numbers for international payments and is a step on the road towards SEPA. After 2006, all euro payments from Switzerland will require an IBAN or BIC (Bank Identifier Code).

PROJECTS FOR 2007

An organizational change will take place in early 2007. Swiss Interbank Clearing will transfer all its direct debit business to its sister company Telekurs PayNet, thus enabling Swiss Interbank Clearing to focus solely on the SIC and euroSIC payment systems. Together, Swiss Interbank Clearing and Telekurs PayNet make up the Telekurs Group's Electronic Payment Systems business area.

During 2007, much of Swiss Interbank Clearing's work will be devoted to preparing Switzerland's payment systems for the advent of the Single Euro Payments Area. Another key project will involve adapting the IBASEC interbank security system to the latest developments in technology (see box).

SIC – A PAYMENT SYSTEM OF VITAL ECONOMIC SIGNIFICANCE

ORGANIZATION

Swiss Interbank Clearing's key tasks are the operation and ongoing development of the SIC and euroSIC interbank clearing systems and of the Swiss banks' direct debit procedures. This mandate is fulfilled by Swiss Interbank Clearing's 55 employees, who work in the following areas:

- software development
- customer relations and technical support
- product management and sales
- communication and interbank coordination
- controlling

Swiss Interbank Clearing provides its services with the help of other Telekurs Group companies, most notably Telekurs Services, which provides support in the following specific disciplines:

- computer center services
- system engineering services
- facility and procurement services
- accounting

The Swiss National Bank (SNB) is responsible for the daily operation of, and liquidity provision in, the SIC system, while for the euroSIC system this role is assumed by SECB Swiss Euro Clearing Bank GmbH in Frankfurt.

Interbank committees assist the Swiss Interbank Clearing Board of Directors in the execution of its duties, particularly in matters relating to the organization and operation of the payment systems applications and in the areas of product development and marketing, and project and process management.

WORKING TOGETHER WITH THE SNB

The SNB has mandated Swiss Interbank Clearing to provide the services necessary for the settlement of payments within the SIC system. The SNB has the role of SIC system manager. Cooperation between the SNB and Swiss Interbank Clearing in the areas of operations, maintenance and ongoing development is governed by contracts between the two.

SIC system participants must have a sight deposit account with the SNB. The banks' sight deposit accounts with the SNB are at the heart of the SIC system. The SNB maintains a sight deposit account for each SIC participant, consisting of a main account, which is part of the SNB booking system, and a SIC settlement account, which is used for processing transactions in the SIC settlements system. From a legal point of view, the two accounts are indivisible.

CONTROLLING RISKS

Any operational or technical malfunctioning in the SIC system could give rise to major credit or liquidity problems. For this reason, a set of minimum requirements has been defined, to which the SIC system must adhere at all times. These are set out in the Swiss National Bank Act ordinance (articles 22–34).

The security features required in order to reduce technical and operational risks are based on international IT standards. The requirements regarding organizational structure and transparency are in line with current principles of corporate governance. The prime objective of the minimum requirements is to reduce systemic risks. The requirements cover organization, public information, fundamental contractual principles, and the control and limitation of credit and liquidity risks and of means of payment. They also include a number of security requirements which reduce and control technical and operational risks.

SWISS INTERBANK CLEARING LTD

TRANSACTIONS IN MILLIONS	2006	2005	Change in %
SIC	317.1	256.4	23.7
Daily transaction volume	1.3	1.0	30.0
euroSIC	3.1	2.8	10.7
DTA	0	27.7	–
LSV	41.1	39.1	5.1

FINANCIAL AND OPERATING DATA¹ IN CHF MILLIONS	2006	2005	Change in %
Operating revenue from SIC business area	19.8	18.3	8.2
Balance sheet total at December 31	14.4	17.0	–15.3
Shareholders' equity at December 31 ²	6.9	6.7	3.0
SIC system availability (12 month average)	99.9%	99.8%	0.1

¹ 75% of Swiss Interbank Clearing's share capital is held by Telekurs Holding Ltd, with the remaining 25% being held by PostFinance. Swiss Interbank Clearing Ltd's annual results are consolidated in the annual accounts of the Telekurs Group. The relevant accounting principles are detailed on page 58. ² before earnings appropriation

Specific requirements for access to the SIC system are also laid down. Adherence to these minimum requirements is monitored by the SNB. A number of mechanisms built into the SIC system already allow a significant degree of control to be exercised over credit and liquidity risks.

KEY FEATURES OF THE SIC SYSTEM

SIC is a real-time gross settlement system. Such systems settle each payment individually – i.e. on a gross basis – and book it to the relevant sight deposit account at the central bank. Payments in a real-time gross settlement system are irrevocable and final. They will be settled only if the ordering bank has sufficient funds available on its sight deposit account with the SNB. If adequate coverage is not available, the payment will automatically be held

in a wait file until sufficient funds have been paid into the account to cover payment. Banks may also avail themselves of intraday facilities from the SNB on a secured basis. The settlement sequence in the SIC system is determined by a priority key which the sending bank can assign to each payment. Within each priority category, payments are processed on a “first-in, first-out” basis. Pending payments held in the wait queue may be cancelled by the ordering bank at any time.

The purpose of these procedures is to minimize the incentive to enter into credit risks by availing of pending payments before they have been settled. A progressive, time-based pricing structure provides additional incentives to make payments as early as possible, and thus reduce capacity, credit and liquidity bottlenecks.



E-BILLING GAINS GROUND

Telekurs PayNet Ltd* continued to develop its electronic billing network in 2006. In business-to-business (B2B), Telekurs PayNet strengthened its market position in a number of key industries, and also entered into a cross-border cooperation agreement with Deutsche Post.

In its business-to-consumer (B2C) operations, it managed to increase its e-banking customer base considerably. Since September 2006, Telekurs PayNet and PostFinance have been jointly marketing electronic billing for consumers, under the “e-bill” banner.

Telekurs PayNet is Switzerland’s leading service provider for VAT-compliant Electronic Bill Presentation and Payment (EBPP). In 2006, Telekurs PayNet further strengthened its position in both B2B and B2C.

Electronic billing is growing apace in the B2B sector, with an increasing number of companies in various industries planning to introduce the process in the next 24 months. Telekurs PayNet has been notably successful in winning new business in the chemical and pharmaceutical industries, as well as in the retail and health care sectors.

In B2C, Switzerland now numbers some 2 million e-banking clients, banking with 88 different banks, who are able to receive and pay domestic and international bills electronically. B2C continues to gain ground, as ever more banks and invoice issuers connect to the PayNet network.

EXPANSION OF THE B2B NETWORK

During 2006, Telekurs PayNet was able to sign up considerable numbers of B2B invoice recipients. Within twelve months, a pharmaceuticals major, for example, switched a large proportion of its paper invoicing over to PayNet electronic billing, and over 60 percent of its annual invoicing volume can now be presented electronically and processed automatically. The pharmaceutical firm’s smooth adoption of PayNet gave a positive signal to the industry generally, paving the way for Telekurs PayNet’s acquisition of a renowned chemicals firm as a B2B client. The new firm expects to go live with PayNet by mid-2007 and can already, thanks to existing B2B connections maintained by its suppliers, settle some 30 percent of its incoming invoices electronically.

* With effect from April 1, 2007, PayNet (Switzerland) Ltd will adopt the corporate name of Telekurs PayNet Ltd.

A major step in the creation of a European EBPP network was the interface established between the Deutsche Post AG and PayNet networks in September 2006. As a result, Swiss companies dealing with suppliers and customers in Germany can now also use their existing PayNet interface to exchange VAT-compliant electronic invoices with their German partners.

GREATER RANGE OF SERVICES FOR CONSUMERS

During 2006, Telekurs PayNet, the Swiss banks and Post-Finance decided to launch a joint consumer marketing initiative. Since September 2006, Telekurs PayNet, Post-Finance, participating invoice issuers and banks connected to the PayNet system have been taking a uniform approach to marketing to consumers, under the “e-bill” banner. The shared objective is to widen acceptance of e-billing among consumers. To this end, a website for consumers (www.e-bill.ch) and an online marketing campaign were launched during the autumn of 2006. This led to a significant increase in the number of consumers signing up to e-billing.

A considerable number of new financial institutions and invoice issuers from various sectors were recruited to the PayNet network during 2006. The cantonal banks of Appenzell, Glarus, Nidwald and Obwald all signed up, while among invoice issuers, Telekurs PayNet succeeded in bringing on board the health insurers avanex, innova and Provita and energy suppliers such as City of Zurich electricity and City of St. Gallen electricity, as well as WWZ Energie AG. As a result, market acceptance of e-billing was further broadened during 2006.

INNOVATION FOR SME AND RETAIL MARKETS

Telekurs PayNet has introduced a new B2B archiving service, to assist companies in the VAT-compliant archiving of their invoices. Switzerland’s Federal Tax Administration

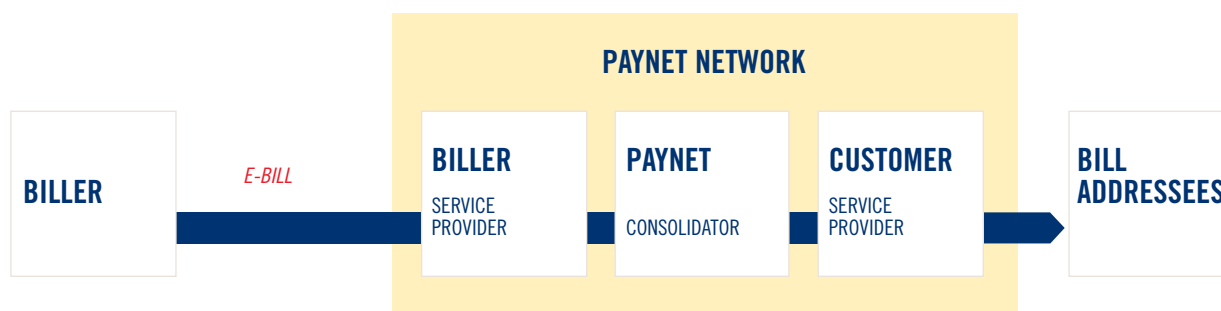
A word on VAT-compliant electronic invoices

To be recognized by the Swiss tax authorities, electronic bills must be electronically signed, transmitted and archived. Electronic signature is thus a key security element in the transmission and archiving of electronic bills.

The electronic signature on an electronic invoice makes it possible to verify the authenticity of the sender, the fact that the invoice has not been modified during transmission (its integrity) and that it has not been modified during archiving. Digital certificates are used for electronic signatures. Swiss legislation distinguishes between two types of electronic signature:

Under the Swiss Federal Code of Obligations CertES signatures have the same attributes and validity as signatures made by hand. Authorized certificates may be issued only to individuals and may be used in all cases where an individual’s signature by hand is replaced by a legally binding electronic signature of that same individual. CertES signatures may be used to sign electronic invoices, though, for organizational reasons, their suitability for this purpose is limited.

The Swiss Federal Finance Department has laid down specific rules relating to electronic invoices in its Federal Finance Department Directive on Electronically Transmitted Data and Information, or FDI-D. Unlike CertES, this directive provides for digital certificates to be issued not only for individuals but for legal entities as well. These digital certificates are thus ideally suited to electronic invoices issued by companies, which, in the nature of things, do not sign paper invoices either.



Invoice issuers, or billers, transmit their invoices to a **Biller Service Provider (BSP)**. The BSP receives the data and transmits it on to the **PayNet Consolidator**, which is at the heart of the PayNet network. The consolidator sorts all invoices by addressee and transmits them to the relevant **Customer Service Provider (CSP)**, which then transmits them to the bill addressee.

requires that all invoices processed electronically also be archived electronically. Establishing their own electronic archives involves considerable costs for companies, thus making adoption of e-billing more daunting for SMEs (small and medium-sized enterprises). Telekurs PayNet addressed this difficulty in autumn 2006 by introducing its PayNet Online Archive, a service which allows firms to store their electronic bills in a VAT- and audit-compliant manner for the legally required archiving period.

Telekurs PayNet and the Swiss banks recently developed individual continuous charging authorization, a groundbreaking new B2C application, aimed at increasing the convenience of e-billing. This will enable e-banking customers to authorize recurring bills automatically, up to a threshold amount of their choice. Telekurs PayNet completed the preparatory work for this during 2006 and the first banks will launch it as an additional e-billing function during 2007.

PROSPECTS FOR 2007

In B2C, 2007 will see the Raiffeisen Group and further cantonal banks (e.g. the Cantonal Bank of Graubünden)

joining the PayNet network. Individual continuous charging authorization and a variety of other new functions will make e-billing increasingly convenient for e-banking customers. The scope of e-billing will also be widened as new invoice issuers are signed up.

In B2B, Telekurs PayNet will build on the strong position it already holds in certain industries, as well as expanding into new ones. Connecting to PayNet will be further simplified, partly through the introduction of new standard solutions to the PayNet interface and partly through the introduction of an online portal for invoice capture. The PayNet network's reach will also be expanded through connections to additional service providers.

From January 1, 2007, Telekurs PayNet Ltd will add to its existing portfolio by taking over the operation of all direct debit services – LSV⁺, BDD, payROUTE and payCOM^{web} – from its sister company Swiss Interbank Clearing Ltd. Continued development and maintenance of direct debit functions and the coordination this will require with other bodies in Switzerland's financial marketplace will continue to be handled by Swiss Interbank Clearing Ltd.



CONTINUING PURSUIT OF THE GROWTH STRATEGY

In 2006, Telekurs Financial Information Ltd achieved overall sales growth of 6 percent, while sales outside Switzerland increased by a double-digit rate. Continuing development of existing products and the integration of additional data again enabled the firm to meet the ever-increasing demands of financial information users.

The preparatory work it carried out in connection with the EU's Market in Financial Instruments Directive (MiFID) provided renewed testimony of Telekurs Financial's skill in supporting market participants in the implementation of new regulatory requirements.

Telekurs Financial continued to deliver on its strategy of increasing turnover outside Switzerland in 2006, growing its international sales by 10 percent on the year. Particular successes were achieved in the Benelux countries and in Italy. The restructuring of operations in Germany was completed, and Telekurs (Deutschland) GmbH will in future concentrate primarily on marketing and distribution activities.

In Europe, the firm sees the Anglo-Saxon and French markets as the key growth areas. In addition to the UK, with London as Europe's preeminent financial center, the rapidly growing Irish financial market is of prime importance for Telekurs Financial's services. In the USA, Telekurs Financial signed new contracts with various prestigious financial institutions, thus broadening the distribution of its products in the world's largest financial marketplace.

In Asia, Telekurs Financial targeted its efforts principally on Singapore and Japan. In Singapore, Telekurs Financial concentrates on services for the booming private banking market. In Japan, the firm offers a tailor-made application for local pension funds, which addresses the stringent requirements placed on settlements and valuations. This niche product has enabled Telekurs Financial to broaden its Japanese customer base considerably.

After a minor dip in 2005, Telekurs Financial fulfilled expectations by resuming sales growth in Switzerland in 2006, a turnaround helped not least by the robust performance of the financial markets.

STEADY BROADENING OF THE PRODUCT RANGE

Telekurs Financial is specialized in the capture, preparation and processing of international financial information. It maintains a database which provides real-time financial market information from across the globe, offering access to over 3 million financial instruments, a wealth of data which is unique in the world.

Telekurs Financial's Valordata Feed (VDF) feeds a structured stream of basic data, corporate actions information and valuations directly into clients' databases. The firm further enhanced its product range in 2006, with a new VDF release in June offering additional capabilities in the areas of mutual fund administration and foreign exchange transactions. In November, a comprehensive information service covering structured products was also introduced.

The existing Intraday Pricing Service was further enhanced. Telekurs Financial is now able to deliver intraday valuations for between 100,000 and 300,000 securities at points in time the customer is free to choose. The Intraday Pricing Service is offered both as an add-on to other services or as a stand-alone solution.

Telekurs Financial's wealth of securities administration data is complemented by its Market Data Feed (MDF), which supplies real-time market data. This includes current prices and news from more than 800 exchanges and price contributors around the world.

The new features incorporated in Telekurs **iD**, a new generation of display products, are impressive, enabling clients to access Telekurs Financial's entire range of data offerings. In August 2006, "Telekurs **iD** java" went live, providing portfolio managers and traders with a significantly enhanced range of information. The "Telekurs **iD** html link" can be embedded into banks' own internal applications, affording users direct access to Telekurs **iD** from their bank terminals.

With its data center in Mumbai in India, Telekurs Financial is successfully handling the steadily growing volume of price and security data from the Anglo-Saxon markets. In order to meet future demands, Telekurs Financial has decided to increase headcount at the Mumbai facility to 100 people. Data input for markets in Germany, Austria and Eastern Europe will gradually be transferred to a new facility in Krakow in Poland, which will become operational during the second quarter of 2007.

ADDED VALUE FROM INTEGRATED DATA OFFERINGS

Continuing product improvement and integrated data packaging are among Telekurs Financial's core competences. This is well illustrated by the contract recently signed with Hemscott plc, a supplier of company data. The new company fundamentals will be available on Telekurs display products from the first quarter of 2007. This combination of securities data with company fundamentals brings considerable added value to the customer, as it ob-

TELEKURS FINANCIAL INFORMATION LTD

FINANCIAL INSTRUMENTS	31.12.2006	31.12.2005	Change in %
Bonds	899,888	778,074	15.7
Equities	358,864	347,068	3.4
Hybrids	302,513	181,034	67.1
Options / Futures	754,977	719,068	5.0
Unit trusts	298,218	255,362	16.8
Warrants	255,793	189,421	35.0
Other	149,360	133,786	11.6
Total	3,019,613	2,603,813	16.0

Telekurs Financial's database handles real-time prices and securities administration data for more than 3 million securities from over 200 countries. Overall, Telekurs Financial increased the number of instruments it covers by 16 percent during 2006.

DATA SOURCES

Active pricing sources	838	770	8.8
News agencies	12	16	-25.0

Telekurs Financial offers access to 850 data sources. During 2006, the number of active pricing sources rose 8.8 percent to 838. The significant fall in the number of contributing news agencies is due to a change in the way the statistics are compiled. Dow Jones, for example, now delivers its reports directly, rather than via a news agency.

viates the need to consult disparate sources of information. This new service complements the information already provided from Dun & Bradstreet, which links company and securities information and which Telekurs Financial has been offering its VDF customers since late 2005.

Regulatory compliance is another area in which Telekurs Financial plays a leading role. The firm supplies financial institutions with the data they need in order to meet the regulatory requirements placed on securities settlements, the EU's Markets in Financial Instruments Directive (MiFID) being a topical example. Telekurs Financial is working closely with customers, financial institutions and other market participants in order to ensure that MiFID's requirements are met fully and on time. Following on its earlier work on EU withholding tax on interest payments, Telekurs Financial is thus again supplying its customers with the data they need in order to meet a new EU regulatory requirement.

A word on integrity and availability

The availability of correct and timely data is essential in the financial information business.

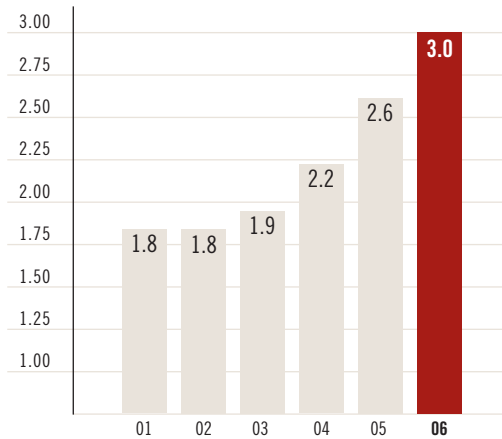
A watch dog routine monitors the correctness of all incoming prices. The correctness of securities basic data is verified by a system of double checks, with two people independently verifying all data which is input manually.

Data availability depends on the reliability of communications networks and processing systems. To ensure continuous availability, back-up lines are in place between markets and Telekurs Financial and its subsidiaries on the one hand, and between Telekurs Financial and its customers on the other. All processing systems are backed up by decentralized data centers.

In order to keep time intervals between data input and output to the required minimum levels, even at times of high transaction volumes, systems with extremely high processing power, high-speed data links and efficiently designed applications are of paramount importance.

Telekurs Financial takes a decentralized approach to data capture. It has its own representative offices in regional markets, each maintaining direct contact with local financial institutions. These representative offices have first-hand knowledge of their regional markets and have a specific know-how which enables them to react very quickly to market changes.

**NUMBER OF FINANCIAL INSTRUMENTS
IN MILLIONS**



The number of financial instruments administered in Telekurs Financial's database rose 16 percent in 2006. In the last 5 years it has risen by two thirds.

NEW MARKET DATA ARCHITECTURE

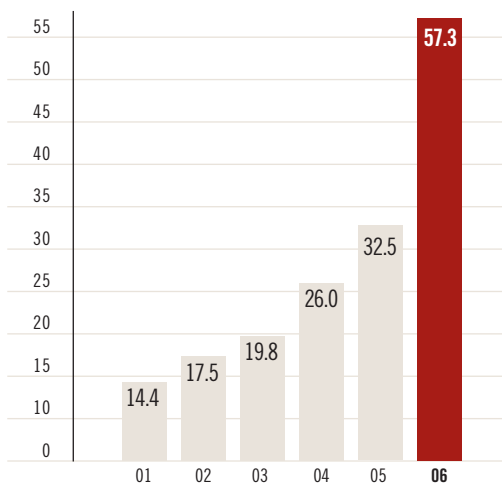
The complexities of the financial information business make the ability to innovate – and the capacity to embrace the future with new thinking and new working processes – indispensable. A good example of this is the new market data architecture project, which will redesign the entire production process for market data. This will enable greater volumes of data to be delivered to customers faster.

Worldwide, Telekurs Financial processes market data in three locations: Zurich, Singapore and Stamford, Connecticut. This decentralized approach means that data transmitted to clients can be complemented with regional content from these locations, such as country-specific tax data.

OUTLOOK FOR 2007

Implementing the new market data architecture is one of Telekurs Financial's most important infrastructure projects. Beyond this, product functionality will continue to be enhanced and further data content integrated into product offerings.

**PRICE QUOTE (OUTPUT)
IN BILLIONS**



A record 57 billion individual price quotes were transmitted in 2006. This was four times higher than in 2001, and 76 percent up on a year earlier.



COST-EFFECTIVE AND SECURE SYSTEMS

During 2006, Telekurs Services Ltd sustainably improved its operating efficiency, principally by optimizing capacity usage in its computer centers and operating systems.

A major new initiative was the merging of the SIS Group's computer center into the Telekurs Group facilities. High levels of systems availability and data security were maintained at all times.

To remain competitive and make the most of growth opportunities, the Telekurs Group must be able to offer high-quality products at attractive prices. The lower the costs of internal services, the greater the latitude Group companies have for setting prices. Efficiency and economic considerations are thus of ever-increasing importance to Telekurs Services as the Group's internal IT service provider.

Increased efficiency is important not only in the services Telekurs Services provides to other Group companies, but also in its services for third parties. Telekurs Services generates roughly a quarter of its sales from external clients, with some 190 clients, mostly banks, now using its file transfer service for exchanging large quantities of data.

AVAILABILITY AND SECURITY ARE CRITICAL

During 2006, Telekurs Services maintained the availability of its systems at its traditionally high level – a standard of quality which it will strive to continue delivering. The firm provides some 150 different services, with varying levels of availability requirements. Some 20 applications place especially high demands on availability, key examples being interbank clearing, the card system, the Secom securities settlement system and the market and securities data services. All these services have dedicated operating and monitoring environments.

BETTER CAPACITY UTILIZATION

In 2006, Telekurs Services was again able to achieve its goal of high levels of operating efficiency, combined with security and availability.

As computing power continues to increase, the physical size of hardware is decreasing, with the result that computer facility buildings can often become underutilized. Telekurs Services took decisive action to counteract this trend by implementing a series of measures to optimize the use of costly computer center floor space. 2006 saw the implementation of plans for the reciprocal use of computer center floor space which had been finalized with a major financial services organization the year before.

Another bold step into the future is the merging of the Telekurs and SIS Groups' computer centers, on which further progress was made in 2006. SIS's computer center, with its 70 employees, was transferred to Telekurs, and in 2007 the two systems, which are currently still heterogeneous, will be consolidated. The existing six mainframes have already been replaced by three new machines with significantly greater capacity.

Migrating hardware platforms to higher-performance systems helps to expand reserve capacity and guarantee ever more stable operation. The new Itanium nonstop servers now run all cash dispenser, electronic cash, EFT/POS and filling station services.

The economies of scale which these various measures achieved have demonstrably enhanced Telekurs Services' operating efficiency.

A word on integrated security

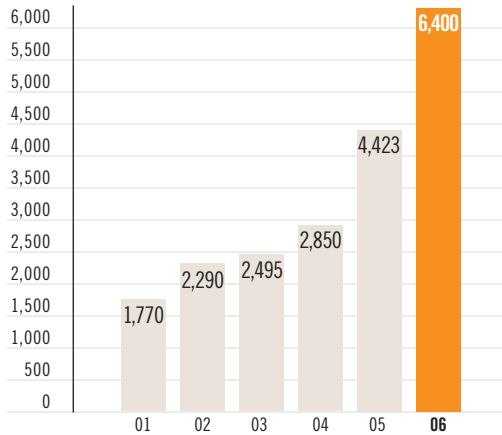
As a provider of IT, buildings and facility services, Telekurs Services takes an integrated view of security, not only ensuring the physical security of people and infrastructure, but also meeting the demanding requirements placed on data confidentiality and systems availability.

To protect people effectively, all Telekurs Group security personnel are trained in first aid. Telekurs Services protects the physical assets entrusted to it from a security center manned 24 hours a day, every day of the year. In-house security staff carry out regular and comprehensive checks of the buildings, walking a distance of some 5,600 kilometers each year, roughly the distance from London to Johannesburg. The facility has several intruder and fire alarms, a secure perimeter and access controls based on biometric data. Multiple back-up connections and an autonomous electricity supply ensure that connectivity and power remain free from interruption.

The Telekurs Group continuously adapts its security measures to economic, organizational and technological developments.

MAINFRAME CAPACITY

IN MILLIONS OF INSTRUCTIONS PER SECOND (MIPS)



Mainframe capacity is expanding by leaps and bounds, with increases of some 50 percent in each of the last two years. In 2006, Telekurs' mainframes executed 6.4 billion instructions per second.

PUTTING NEW TECHNOLOGIES TO WORK

In order to implement solutions even faster, in 2006 Telekurs began a process of virtualizing its server systems. Instead of using several servers each with a fixed capacity, one high-performance server is set up and subdivided in a modular fashion. Every module has its own operating systems and applications, and the server can be extended at any time. This makes for more efficient capacity usage and more flexible configuration. Better use can be made of resources and new solutions can be implemented more rapidly.

Security and availability are also paramount considerations in Telekurs's choice of technology, which is why the firm relies on tried and tested suppliers. One of Telekurs Services' core competences is its ability to build entire infrastructure and application solutions from stringently selected individual hard- and software components.

OPEN OFFICE ARCHITECTURE FOR OPEN COMMUNICATION

Better use of office space will also help to increase efficiency. In 2006, Telekurs decided to relinquish its rented premises in Wallisellen completely during 2007, moving all staff to headquarters at the Hardturmstrasse in Zurich. Having all Group companies in one location will help to foster ever more intensive cooperation between them.

Targeted building work is currently expanding the usable space available at headquarters. The new open space areas being created should help to promote direct exchanges of ideas between staff, as well as being more economical and offering more flexibility in workspace configuration.

CHALLENGES FOR 2007

Telekurs Services has set itself numerous financial and operational objectives for 2007. Maintaining a high level of systems availability and data security – while at the same time increasing efficiency – remains the key challenge. The consolidation of the Telekurs and SIS Groups' IT systems, the virtualization of the servers and the implementation of the new office architecture will all make a sustainable contribution to the achievement of our goals.

FINANCIAL RESULTS

OPERATING REVENUE	2006	2005	Change
	CHF mm	CHF mm	CHF mm
Net operating revenues from goods and services supplied			
Card-based Payment Systems	386.5	363.2	23.3
Electronic Payment Systems	31.7	37.4	-5.7
Financial Information Services	243.1	229.7	13.4
IT and Facility Services	36.5	18.0	18.5
Total	697.8	648.3	49.5
Net operating revenues from goods and services supplied			
Switzerland	581.1	540.2	40.9
Other European markets	92.3	87.9	4.4
Other regions	24.4	20.2	4.2
Total	697.8	648.3	49.5

The Telekurs Group achieved encouraging overall revenue growth during 2006, raising its operating revenues by CHF 49.5 million or 7.6%. The performance of the individual business areas is described below.

The Card-based Payments Systems business area – comprising the acquiring business and the capture and processing of credit, debit and electronic cash card transactions – increased its operating revenues by CHF 23.3 million or 6.4% compared to 2005. The number of debit card transactions rose 8% on the year, while that of credit card transactions increased by 6%. Telekurs Multipay managed to raise both the number of VISA and MasterCard credit card purchases it processed and the average value of trans-

actions. New payment terminals were a key feature of point-of-sale business during 2006, with the very good sales of the new davinci terminals already achieved during 2005 gaining significant additional momentum as Switzerland's two largest retailers opted to install davinci terminals at all their points of sale in Switzerland.

The Electronic Payment Systems business area groups together the processing of interbank payments, Telekurs's direct debit business and PayNet, the network handling electronic bill processing. During 2006, the number of transactions handled by the SIC interbank payments systems reached 317 million, a 23.7% increase on the year before. Thanks to a reduction in the cost base and, most

TELEKURS GROUP 2006 CONSOLIDATED ACCOUNTS

notably, the migration of all direct debit transactions to the lower-cost LSV+ platform, SIC was able to cut its transaction charges substantially last year. The 2005 electronic payment systems results are the last to include revenues from the now discontinued DTA business (DTA = "Daten-trägeraustausch", in English, "file exchange"). This is now fully integrated into the banks' e-banking environments.

Telekurs PayNet Ltd succeeded in expanding its network in a number of key sectors, and also launched a marketing campaign which brought in significant numbers of new e-banking customers.

The Financial Information Services business area is specialized in the capture, enhancement, processing and delivery of financial information throughout the world. It includes Group companies in Switzerland, Europe, Asia and

the United States. Overall revenue growth of CHF 13.4 million or 5.8% was achieved during 2006, thanks to increased sales in Switzerland and abroad. New releases of the VDF and Telekurs **iD** products further improved the range of services offered to customers.

The CHF 18.5 million of increased revenue generated in the IT and Facility Services business area is mainly due to the merging of the SIS Group's computer center into Telekurs Services's operations. Since April 1, 2006, Telekurs Services has been running all the SIS Group's mainframe operations.

The lower section of the table on page 51, showing sales by geographic region, not only underscores the continuing strength of the Telekurs Group's presence in Switzerland, but also demonstrates that encouraging revenue growth was achieved in all regions.

OPERATING EXPENSES	2006	2005	Change
	CHF mm	CHF mm	CHF mm
Personnel expenses	277.9	259.3	18.6
Other operating expenses excluding depreciation and amortization	325.8	302.9	22.9
Depreciation and amortization	29.9	28.7	1.2
Total	633.6	590.9	42.7

Operating expenses rose CHF 42.7 million or 7.2% during 2006. The higher personnel costs were mainly attributable to the incorporation of the SIS Group's computer center into Telekurs Services' operations, while the increase in the cost of goods sold is principally due to the large volume of new terminals sold during the year. Data procurement

costs rose as additional exchanges came on stream during the year. In the card business, various marketing and sales promotion campaigns were carried out, which increased advertising and marketing costs. Other operating costs fell, on the other hand, largely as a result of a reduction in domestic interchange fees in the card business.

TELEKURS GROUP 2006 CONSOLIDATED ACCOUNTS

ANNUAL NET INCOME/RETURN ON EQUITY/EARNINGS PER SHARE	2006	2005	Change
	CHF mm	CHF mm	CHF mm
Operating revenues	697.8	648.3	49.5
Operating expenses	-633.6	-590.9	-42.7
Earnings before interest and taxes	64.2	57.4	6.8
Net earnings from financing activities	6.1	3.2	2.9
Extraordinary items (net)	24.1	6.4	17.7
Taxes	-15.3	-9.2	-6.1
Minority interests	-1.4	-1.6	0.2
Annual net income of the Telekurs Group	77.7	56.2	21.5
Average shareholders' equity excluding minority interests	352.5	318.5	34.0
Return on equity (average equity for the year) in %	22	18	4
Earnings per share (on 90,000 shares) in CHF	863	624	239

The Group increased its earnings before interest and taxes by CHF 6.8 million or 11.8% on the year. This results partly from the increase in operating revenues and partly from the various trends in operating expenses explained above. Higher money market rates account for the improvement in net financing results, while the lion's share of the increase in net extraordinary items came from profits realized on the sale of shares in the MasterCard Worldwide initial

public offering. This, plus the improved operating results detailed above, helped the Telekurs Group to report a significant year-on-year increase in net earnings. Taxes accounted for 16% of pre-tax earnings vs 14% in 2005, though it should be noted that the 2005 tax burden was eased somewhat by tax loss carry-forwards realized at a number of foreign subsidiaries. Return on equity was raised from 18% to 22%.

TELEKURS GROUP 2006 CONSOLIDATED ACCOUNTS

INCOME STATEMENT

	Note	2006	2005	Change
		CHF 1,000	CHF 1,000	in %
Card-based Payment Systems		386,528	363,203	6
Electronic Payment Systems		31,699	37,372	-15
Financial Information Services		243,042	229,737	6
IT and Facility Services		36,514	18,020	103
Total operating revenues	1	697,783	648,332	8
Cost of goods sold		26,550	8,077	229
Personnel expenses	2	277,918	259,263	7
Data transmission expenses		21,024	20,258	4
Data procurement expenses		37,378	30,058	24
Hard- and software expenses		24,795	24,207	2
Advertising and marketing expenses		8,774	6,099	44
Office space expenses		10,168	9,540	7
Other operating expenses	3	197,076	204,777	-4
Depreciation and amortization	4	29,898	28,679	4
Total operating expenses		633,581	590,958	7
Earnings before interest and taxes		64,202	57,374	12
Earnings from financing activities	5	5,016	2,679	
Earnings from nonconsolidated investments	6	1,068	565	
Neutral and extraordinary revenues	7	28,679	7,884	
Neutral and extraordinary expenses	7	-4,548	-1,524	
Annual net income before taxes and minority interests		94,417	66,978	41
Taxes	8	-15,284	-9,150	
Annual net income before minority interests		79,133	57,828	37
Minority interests		-1,414	-1,590	
Annual net income		77,719	56,238	38

BALANCE SHEET

ASSETS	Note	31.12.2006	31.12.2005
		CHF 1,000	CHF 1,000
Cash and cash equivalents	9	289,696	257,470
Trade accounts receivable	10	132,464	115,044
Other accounts receivable	11	374,599	301,339
Inventories and orders on hand	12	4,260	3,627
Accruals and other assets		15,866	15,453
Total current assets		816,885	692,933
Fixed assets	13	133,412	135,554
Financial assets			
– Assets from employer's pension contribution surpluses	14	26,418	0
– Participations	15	4,887	4,415
– Securities	16	744	1,345
Total fixed assets		165,461	141,314
TOTAL ASSETS		982,346	834,247
LIABILITIES AND SHAREHOLDERS' EQUITY			
Trade accounts payable		17,436	11,773
Other current liabilities	17	366,306	301,616
Accrued liabilities	18	157,464	133,417
Total current liabilities		541,206	446,806
Other noncurrent liabilities		48	66
Provisions	19	60,090	58,479
Total noncurrent liabilities		60,138	58,545
Total liabilities		601,344	505,351
Share capital		45,000	45,000
Share premium		15,000	15,000
Treasury stock		–22,221	–22,216
Retained earnings		346,466	293,622
Currency translation differences		–5,812	–4,889
Total shareholders' equity excluding minority interests		378,433	326,517
Minority interests		2,569	2,379
Total shareholders' equity including minority interests	20	381,002	328,896
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		982,346	834,247

CASH FLOW STATEMENT

	Note	2006	2005
		CHF 1,000	CHF 1,000
Annual net income		77,719	56,238
Minority interests		1,414	1,590
Regular depreciation and amortization	4	29,898	28,679
Extraordinary depreciation	13	574	0
Profits realized on sale of fixed assets		-188	-285
Change in provisions		-5,102	-16,677
Profits realized on securities sold	7	-25,950	0
Earnings from nonconsolidated investments		-472	-29
Cash flow		77,893	69,516
Accounts receivable		-90,548	-101,446
Inventories and orders on hand		-633	-1,529
Accruals and other assets		-282	-3,720
Liabilities		68,487	105,617
Accrued liabilities		22,660	-12,879
Changes in noncash net current assets		-316	-13,957
Cash flow from operations		77,577	55,559
Investments in fixed assets	13	-28,793	-16,315
Disposal of fixed assets		572	1,016
Purchase of minority interests		0	-2,000
Sale of securities		26,551	0
Cash flow from investing activities		-1,670	-17,299
Redemption of bank loans		-19	0
Repurchase of treasury stock		-5	0
Dividend payments to Holding shareholders		-44,647	-44,647
Dividend payments to minority shareholders		-1,225	-1,200
Cash flow from financing activities		-45,896	-45,847
Exchange rate differences		2,215	3,042
Total net inflow (+)/outflow (-) of cash and cash equivalents		32,226	-4,545
Cash and cash equivalents at January 1	9	257,470	262,015
Cash and cash equivalents at December 31	9	289,696	257,470
Change in cash and cash equivalents		32,226	-4,545

CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Share premium	Treasury stock	Retained earnings	Currency translation differences	Total share-holders' equity ¹	Minority interests	Total share-holders' equity ²
in CHF 1,000								
Position at January 1, 2005	45,000	15,000	-22,216	281,779	-9,192	310,371	4,242	314,613
Dividend				-44,647		-44,647	-1,200	-45,847
Annual net income				56,238		56,238	1,589	57,827
Purchase of minority interests				252		252	-2,252	-2,000
Change in currency translation differences					4,303	4,303		4,303
Position at December 31, 2005 (before restatement)	45,000	15,000	-22,216	293,622	-4,889	326,517	2,379	328,896
Effect of changes in accounting principles ³				19,772		19,772		19,772
Position at January 1, 2006 (after restatement)	45,000	15,000	-22,216	313,394	-4,889	346,289	2,379	348,668
Dividend				-44,647		-44,647	-1,224	-45,871
Net annual income				77,719		77,719	1,414	79,133
Repurchase of treasury stock			-5			-5		-5
Change in currency translation differences					-923	-923		-923
Position at December 31, 2006	45,000	15,000	-22,221	346,466	-5,812	378,433	2,569	381,002

¹ excluding minority interests

² including minority interests

³ The effect of changes in accounting principles is due to the revised Swiss GAAP ARR 16 (employee benefit obligations) standard, which was applied for the first time in 2006. For more details, please refer to the relevant section of "Significant Accounting Principles" in the notes to these statements.

NOTES TO THE FINANCIAL STATEMENTS

SIGNIFICANT ACCOUNTING PRINCIPLES

The Group's consolidated annual results are based on the individual results achieved by Group companies in the year to December 31, 2006. The individual Group companies' results have been compiled on the basis of a uniform set of accounting principles.

The Telekurs Group's accounts are prepared in accordance with Swiss GAAP ARR (Accounting and Reporting Recommendations) and provide a true and fair picture of the Group's assets, financing and earnings.

2006 is the first year requiring application of the Swiss GAAP ARR 16 (employee benefit obligations) standard. This standard governs the accounting for the actual economic impact on a company of its pension plan arrangements. The standard requires an examination of whether, as of the balance sheet date, the pension plan arrangements give rise to any additional assets (economic benefits) or liabilities (economic obligations) over and above the employer's pension contributions, and the accruals pertaining thereto, already recognized in the accounts. Each year, any variance in the economic benefit or the economic obligation so calculated must be included in the income statement.

For the Telekurs Group this means that the surplus employer's contributions arising in earlier years must now be recognized as an asset in the consolidated balance sheet. This amount has been added to the balance sheet retroactively as of January 1, 2006, resulting in a restatement by the amount of the present value of the economic benefit calculated after adjustment for deferred taxes. The surplus appears under long-term financial investments as "assets

from employer's pension contribution surpluses". This employer contribution surplus is the sole economic benefit or obligation arising from Group companies' pension plans which requires accounting recognition.

PRINCIPLES OF CONSOLIDATION

The Telekurs Group's annual consolidated accounts include the annual accounts of all Group companies in which the Telekurs Group directly or indirectly holds more than 50% of the shareholder voting rights. These consolidated companies are listed on page 73.

100% of the assets, liabilities, costs and revenues of the consolidated companies are taken into account. Separate headings in the consolidated balance sheet and income statements show the share in the Group's equity and earnings held by minority shareholders.

Capital consolidation is carried out according to the purchase method. The net assets of any companies acquired are revalued as of the purchase date according to a set of guidelines applied uniformly across the Group, and are then offset against acquisition cost. As provided for under Swiss GAAP ARR 9, the Group has elected to charge any excess arising at the date of acquisition directly to shareholders' equity.

Shareholdings in other companies where the Group holds between 20% and 49.9% of the voting rights are treated according to the equity method, with the amount of the Group's holdings in each company's equity as of the balance sheet date being reported under financial assets. The Group's share of each company's annual net earnings is reported in the consolidated income statement as earnings from nonconsolidated investments.

TELEKURS GROUP 2006 CONSOLIDATED ACCOUNTS

Shareholdings where the Group holds less than 20% of the voting rights are valued at acquisition cost minus any economically necessary valuation adjustments. These shareholdings are also reported under financial assets.

Intra-Group assets and liabilities and costs and revenues arising from intra-Group transactions are eliminated. Any intermediate profits on intra-Group transactions are not eliminated, as their effect on Group results is insignificant.

CURRENCY CONVERSION

The assets and liabilities of balance sheets drawn up in foreign currencies are converted into Swiss francs at the year-end exchange rate. Income statements in foreign currencies are converted into Swiss francs at average exchange rates measured over the year. Cash flows are also converted at average annual rates.

Any differences resulting from the application of the exchange rates detailed above are directly credited or charged to equity. These amounts are shown in the statement of changes in shareholders' equity.

Transactions in foreign currencies conducted during the year are booked in Swiss francs at the then prevailing exchange rate, which is fixed once a day. Any exchange rate differences so arising are captured in the income statement.

The table below shows the exchange rates used in these accounts for the currencies in which the Group operates.

FOREIGN CURRENCY CONVERSION		Average rates		Year-end rates	
		2006	2005	2006	2005
		CHF	CHF	CHF	CHF
1	Euro	1.57	1.55	1.61	1.56
1	Pound sterling	2.31	2.26	2.40	2.26
1	US dollar	1.25	1.25	1.22	1.31
100	Singapore dollars	78.87	74.79	79.59	78.79
100	Hong Kong dollars	16.13	16.01	15.69	16.91
100	Japanese yen	1.08	1.13	1.03	1.12

TELEKURS GROUP 2006 CONSOLIDATED ACCOUNTS

VALUATION PRINCIPLES

The consolidated balance sheet and income statements apply acquisition and production cost principles. These are based on the individual valuation of assets and liabilities. Any impairment in value results in provisions or write-downs. The treatment of the major balance sheet items is as follows:

Cash and cash equivalents

Cash and cash equivalents include cash on hand, credit balances in post office and bank current accounts, sight deposits and time deposits with maturities not exceeding three months. These are all recorded at their nominal value.

Accounts receivable

Accounts receivable are recorded at their nominal value, minus any economically necessary valuation provisions.

Inventories

Inventories are carried at their purchase or production cost, or their realizable resale value should this be lower. Valuations are made according to the standard price method.

Orders on hand

Orders on hand are carried at the lower of production cost or market value.

Fixed assets

Fixed assets are valued at their purchase or production costs, plus any expenditure which has added to their value, minus any economically necessary depreciation.

Depreciation is linear and occurs over the anticipated useful life of the assets as follows:

Asset category	Depreciation period
Land	No depreciation
Buildings	5–60 years
Plant and equipment	3–30 years
Other fixed assets	5 years

Fixed assets worth less than CHF 3,000 are expensed in the income statement and do not appear in the balance sheet.

Participations

These are equity participations in other companies where the Group holds between 20% and 49.9% of the shareholder voting rights. They are valued according to the equity method.

Securities

Holdings in the equity of other companies representing less than 20% of shareholder voting rights are recognized under fixed assets as securities holdings and are valued at purchase cost.

Intangible assets

Intangible assets (notably research and development expenditure and software costs) are not recognized in the balance sheet, but charged directly to the income statement. Any goodwill resulting from acquisitions is charged directly to equity at the date of acquisition, as permitted by the option granted under Swiss GAAP ARR 9.

Provisions

Provisions are probable potential liabilities, arising from an event in the past, whose amount and due date are not certain but can be estimated. The amount of such provisions is determined based on an analysis of the event concerned, using an objective assessment of the economic risk involved.

Deferred taxes

Provision is made for deferred taxes arising from differences between uniform Group valuations and those determined for tax purposes. Country-specific tax rates are applied. Deferred taxes on losses carried forward are not recognized as assets, since their future utilization cannot be assured. Provisions are made for nonrefundable withholding taxes on anticipated dividends from subsidiaries in the following year. Other tax deferrals on nondistributed earnings from subsidiaries are not subject to provisions.

Treasury stock

Purchases of Telekurs Group shares are recorded at acquisition cost at the time of purchase. Any treasury stock held

is deducted from shareholders' equity. In the event of a subsequent sale, any realized profit or loss will not be booked to the income statement, but will be credited or debited to retained earnings.

Pension liabilities

Any net economic benefit or net economic liability arising from company pension plans is recognized as an asset or a liability in the consolidated balance sheet. Changes in the value of these items from the previous year are calculated for each pension plan and aggregated with the employer's pension contribution expenses accrued for each plan during the current year. At Group level, the net expenses for each fund are consolidated into personnel expenses.

Contingent liabilities and other off-balance-sheet obligations

Contingent liabilities and other off-balance-sheet obligations are reported at nominal value in the notes to the financial statements and included in accrued assets or liabilities as the case may be.

Derivative financial instruments

Transactions in derivative financial instruments are entered into solely for hedging purposes. Transactions which are clearly attributable to specific underlying items are valued congruently with those items. All other derivatives positions are valued at current market prices. The net unrealized profit or loss on all open positions is reported in the notes to the financial statements.

TELEKURS GROUP 2006 CONSOLIDATED ACCOUNTS

NOTES

1 BREAKDOWN BY BUSINESS AREA AND GEOGRAPHIC REGION

The breakdown of operating revenues by business area is included in the consolidated income statement. A breakdown by geographic region appears in the Financial Results section (see page 51).

2 PERSONNEL EXPENSES	2006	2005	Change
	CHF 1,000	CHF 1,000	CHF 1,000
Wages and salaries	200,768	193,041	7,727
Employer's pension plan contributions	18,166	17,786	380
State pension and social security contributions	20,789	18,886	1,903
Training	2,689	2,913	-224
Contract personnel	25,620	17,670	7,950
Other personnel expenses	9,886	8,967	919
Total	277,918	259,263	18,655

3 OTHER OPERATING EXPENSES	2006	2005	Change
	CHF 1,000	CHF 1,000	CHF 1,000
Travel and entertainment expenses	6,257	5,817	440
Accounting, consulting and auditing	4,350	4,210	140
Capital and withholding taxes	532	453	79
Other operating expenses	185,937	194,297	-8,360
Total	197,076	204,777	-7,701

TELEKURS GROUP 2006 CONSOLIDATED ACCOUNTS

4 DEPRECIATION AND AMORTIZATION	2006	2005	Change
	CHF 1,000	CHF 1,000	CHF 1,000
Depreciation and amortization of fixed assets	29,898	28,679	1,219
Total	29,898	28,679	1,219

Since it is Telekurs Group policy not to recognize intangible assets on the balance sheet (see the relevant section of Significant Accounting Principles) no amortizations to intangibles were made.

5 EARNINGS FROM FINANCING ACTIVITIES	2006	2005	Change
	CHF 1,000	CHF 1,000	CHF 1,000
Financial revenue	6,100	3,487	2,613
Financial expenses	-1,084	-808	-276
Total	5,016	2,679	2,337

The improvement in financial earnings is principally due to rising money market rates during 2006.

6 EARNINGS FROM NONCONSOLIDATED INVESTMENTS

This position represents the Telekurs Group's share in the 2006 net earnings of SECB Swiss Euro Clearing Bank GmbH (see Participations, page 68).

TELEKURS GROUP 2006 CONSOLIDATED ACCOUNTS

7 NEUTRAL AND EXTRAORDINARY REVENUES AND EXPENSES	2006	2005	Change
	CHF 1,000	CHF 1,000	CHF 1,000
Neutral/extraordinary income			
Release of provisions	1,555	6,634	-5,079
Profits realized on sale of fixed assets	402	304	98
Profits realized on securities sold	25,950	0	25,950
Other extraordinary income	772	946	-174
Total	28,679	7,884	20,795
Neutral/extraordinary expenses			
Creation of provisions	1,422	500	922
Restructuring expenses	1,313	474	839
Extraordinary depreciations and write-downs	1,014	0	1,014
Losses realized on disposal of fixed assets	214	19	195
Other extraordinary expenses	585	531	54
Total	4,548	1,524	3,024

Provisions were released based on a reassessment of business risks. Earnings from sales of securities represent the profit realized on the sale of shares during the MasterCard Worldwide initial public offering. Restructuring costs were incurred both in 2006 and 2005 in connection with the realignment of the business activities of Telekurs (Deutschland) GmbH.

TELEKURS GROUP 2006 CONSOLIDATED ACCOUNTS

8 TAXES	2006	2005	Change
	CHF 1,000	CHF 1,000	CHF 1,000
Current income taxes	15,489	8,855	6,634
Deferred taxes	-205	295	-500
Total	15,284	9,150	6,134

Tax-deductible loss carry-forwards exist. The potential tax savings resulting from these – amounting to some CHF 13.7 million (vs CHF 13.6 million in 2005) – have not been recognized as an asset, since their future tax deductibility is not assured. The increase in tax expense compared to 2005 is partly the result of higher pretax earnings this year, and partly due to the fact that the 2005 tax burden was eased somewhat by tax loss carry forwards at foreign subsidiaries which were offset against 2005 taxes. Deferred taxes on valuation differences amounted to CHF 0.2 million (vs CHF 1.3 million in 2005). These are reported under asset accruals.

9 CASH AND CASH EQUIVALENTS	31.12.2006	31.12.2005	Change
	CHF 1,000	CHF 1,000	CHF 1,000
Current accounts and call money	16,797	20,862	-4,065
Time deposits with banks	272,710	235,458	37,252
Other cash and cash equivalents	189	1,150	-961
Total	289,696	257,470	32,226

10 TRADE ACCOUNTS RECEIVABLE	31.12.2006	31.12.2005	Change
	CHF 1,000	CHF 1,000	CHF 1,000
From banks	92,127	78,674	13,453
From other customers	47,099	43,028	4,071
Provisions for doubtful accounts	-6,762	-6,658	-104
Total	132,464	115,044	17,420

11 OTHER ACCOUNTS RECEIVABLE

These relate principally to clearing receivables from the card business. The necessary valuation provisions of CHF 3.9 million (CHF 3.2 million in 2005) have been offset against assets.

TELEKURS GROUP 2006 CONSOLIDATED ACCOUNTS

12 INVENTORIES AND ORDERS ON HAND	31.12.2006	31.12.2005	Change
	CHF 1,000	CHF 1,000	CHF 1,000
Finished goods	1,559	1,528	31
Semifinished goods/accessories/replacement parts	4,662	6,490	-1,828
Orders on hand	18	554	-536
./ write-downs	-1,979	-4,945	2,966
Total	4,260	3,627	633

The lower write-downs for 2006 are due to the fact that fully depreciated replacement parts for old-style terminals, for which there is now limited demand, were booked out of inventory. In addition, new-generation terminals, which require smaller write-downs, now make up a larger proportion of the semifinished goods inventory.

13 FIXED ASSETS	Land and buildings	Plant and equipment	Other fixed assets	Total 2006	Total 2005
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
Acquisition value					
at January 1	280,266	265,937	21,040	567,243	588,638
Exchange rate differences	-72	98	40	66	1,983
Acquisitions	3,108	23,603	2,082	28,793	16,315
Disposals	-7,961	-47,656	-2,386	-58,003	-39,693
at December 31	275,341	241,982	20,776	538,099	567,243
Accumulated depreciation					
at January 1	183,499	230,762	17,428	431,689	440,391
Exchange rate differences	-60	173	32	145	1,581
Disposals	-7,834	-47,442	-2,343	-57,619	-38,962
Regular depreciation and amortization	3,990	23,796	2,112	29,898	28,679
Extraordinary depreciation	574	0	0	574	0
at December 31	180,169	207,289	17,229	404,687	431,689
Net book value at January 1	96,767	35,175	3,612	135,554	148,247
Net book value at December 31	95,172	34,693	3,547	133,412	135,554

TELEKURS GROUP 2006 CONSOLIDATED ACCOUNTS

Higher disposals and acquisitions of fixed assets are due partly to the migration of the tandem and mainframe systems to the latest hardware and partly to the integration of the SIS Group's computer centers into Telekurs Services facilities. The extraordinary depreciation was caused by rebuilding work carried out on one floor of the building at Hardturmstrasse 201.

The fire insurance value of the Group's fixed assets was CHF 435.7 million (vs CHF 422.6 million in 2005).

A credit facility totaling CHF 200 million is in place, secured on the building at Hardturmstrasse 201 in Zurich, which is valued at CHF 104 million in the balance sheet (vs CHF 108 million in 2005). A maximum of CHF 60 million of this facility serves as surety for credit lines granted to the Telekurs Group.

14 ASSETS FROM EMPLOYER'S PENSION CONTRIBUTION SURPLUSES

Employer contributions surplus	Nominal value	Not offset against employer contributions	Other valuation provisions	Discount	Balance sheet value	Balance sheet value	Effect from employer contribution surplus in personnel expenses	
	31.12.2006	31.12.2006	31.12.2006	31.12.2006	31.12.2006	1.1.2006	2006	2005
IN CHF 1,000								
100% employer-funded funds/plans	0	0	0	0	0	0	0	0
Pensions plans with no under- or overfunding	35,319	0	0	-8,901	26,418	26,418	0	0
Overfunded pension plans	0	0	0	0	0	0	0	0
Underfunded pension plans	0	0	0	0	0	0	0	0
Total	35,319	0	0	-8,901	26,418	26,418	0	0

TELEKURS GROUP 2006 CONSOLIDATED ACCOUNTS

Economic benefit/ Economic liability	Over-/under- funding as per Swiss GAAP ARR 26		Employer's share		Change vs previous year	Contribu- tions accrued during period 31.12.2006	Pension expenses included in personnel expenses	
	31.12.2006	31.12.2006	1.1.2006				2006	2005
IN CHF 1,000								
100% employer- funded funds/plans	0	0	0	0	0	0	0	0
Pension plans with no under- or overfunding	0	0	0	0	0	18,166	18,166	17,786
Overfunded pension plans	0	0	0	0	0	0	0	0
Underfunded pension plans	0	0	0	0	0	0	0	0
Total	0	0	0	0	0	18,166	18,166	17,786

The employees of the Telekurs Group companies in Switzerland are covered by the Staff Pension Fund of Telekurs Holding Ltd. Employees of Group companies abroad are covered by pension arrangements which at least fulfill the relevant local statutory requirements.

15 PARTICIPATIONS

This item represents a 25% share in SECB Swiss Euro Clearing Bank GmbH, Frankfurt am Main. Its book value is carried as follows:

	2006	2005	Change
	CHF 1,000	CHF 1,000	CHF 1,000
Book value at January 1	4,415	4,386	29
Share in annual earnings	865	525	340
./ share in dividend	-544	-534	-10
Exchange rate differences	151	38	113
Book value at December 31	4,887	4,415	472

TELEKURS GROUP 2006 CONSOLIDATED ACCOUNTS

16 SECURITIES

This item consists solely of holdings in the shares of MasterCard Worldwide Inc., St. Louis, which are valued at cost. In 2006, these holdings were partially liquidated as part of the initial public offering of MasterCard Worldwide. As a result of the sale, the Telekurs Group's holdings in MasterCard Worldwide were reduced from 0.88% to 0.49%.

17 OTHER CURRENT LIABILITIES

These consist principally of clearing liabilities from the card business and other liabilities towards contractual partners in the card business.

18 ACCRUED LIABILITIES	31.12.2006	31.12.2005	Change
	CHF 1,000	CHF 1,000	CHF 1,000
Revenues from financial information services	107,902	96,866	11,036
Personnel expenses	24,045	23,459	586
Taxes on current year earnings	8,308	2,252	6,056
Stock exchange fees	2,017	1,736	281
Other costs	15,192	9,104	6,088
Total	157,464	133,417	24,047

TELEKURS GROUP 2006 CONSOLIDATED ACCOUNTS

19 PROVISIONS	Provisions for deferred taxes	Pension plan liabilities	Restructuring provisions	Other provisions	Total
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
Book value at January 1, 2005	8,033	458	1,751	65,362	75,604
Provisions created	1,293	355	308	4,533	6,489
Provisions utilized	0	-125	-1,228	-10,703	-12,056
Provisions released	-886	0	-60	-10,646	-11,592
Exchange rate differences	1	8	0	25	34
Book value at December 31, 2005 (before restatement)	8,441	696	771	48,571	58,479
Effect of changes in accounting principles	6,605	0	0	0	6,605
Book value at January 1, 2006 (after restatement)	15,046	696	771	48,571	65,084
Provisions created	453	402	1,120	9,078	11,053
Provisions utilized	0	-205	-412	-9,119	-9,736
Provisions released	-450	0	-19	-5,713	-6,182
Exchange rate differences	3	-41	-58	-33	-129
Book value at December 31, 2006	15,052	852	1,402	42,784	60,090

Other provisions are those made for product risks, maintenance, vacant space and pending litigation. The actual amount of these liabilities and their due date both depend on future events. The provisions made against these potential liabilities are based on appraisals of the economic risks involved.

20 SHAREHOLDERS' EQUITY

The Telekurs Group's share capital comprises 90,000 registered shares with a nominal value of CHF 500 each. Of these, 8,825 (8,824 in 2005) are held as treasury stock with a current book value of CHF 22.2 million (CHF 22.2 million in 2005). One share was purchased and added to treasury stock during 2006, at a price of CHF 5,500.

The Telekurs Group has exercised its option under Swiss GAAP ARR 9 of charging goodwill on acquisitions directly to equity at the date of acquisition. Were this goodwill to be recognized as an asset, total assets and shareholders' equity at December 31, 2006 would both be increased by CHF 86.6 million (vs CHF 100.1 million in 2005). Writing off goodwill over a ten-year period would have reduced consolidated net earnings by CHF 13.5 million in 2006 (vs CHF 13.5 million in 2005).

A minority shareholding in Epsys AG was acquired during 2005. The goodwill so acquired was also offset against retained earnings.

Nondistributable retained earnings amounted to CHF 55.4 million at December 31, 2006, as against CHF 54.8 million the year before.

TELEKURS GROUP 2006 CONSOLIDATED ACCOUNTS

21 OFF-BALANCE-SHEET TRANSACTIONS	31.12.2006	31.12.2005	Change
	CHF 1,000	CHF 1,000	CHF 1,000
Contingent liabilities and other off-balance-sheet obligations			
Obligations falling due in more than 1 year			
– Office rental expenses	21,033	16,978	4,055
– Other purchase obligations	6,046	3,526	2,520
Total	27,079	20,504	6,575
Derivative financial instruments			
Currency swaps			
Total nominal contract value	29,832	19,409	10,423
Total unrealized profit or loss	45	–19	64
of which already recognized	45	–19	64

The increase in office space rental liabilities is due to a long-term lease signed on the office premises of Telekurs (U.K.) Ltd in London.

The increase in other purchase obligations results from long-term leasing contracts on multifunction printers and long-term network services contracts signed during 2006.

Derivative financial instruments are used to optimize liquidity management and reduce hedging costs. The net positions from bank accounts, accounts receivable and accounts payable in foreign currencies are hedged using offsetting positions in currency swaps.

TELEKURS GROUP 2006 CONSOLIDATED ACCOUNTS

22 TRANSACTIONS WITH RELATED COMPANIES

Related companies are defined as companies owning shareholdings of more than 20% in the Telekurs Group and companies in which the Telekurs Group itself holds a significant stake.

The value of transactions carried out with related companies during 2005 and 2006, which is included in the consolidated accounts, is shown below. All transactions were executed on arm's-length terms.

	31.12.2006	31.12.2005	Change
	CHF 1,000	CHF 1,000	CHF 1,000
Due from related companies	193,669	134,143	59,526
Due to related companies	21,425	12,792	8,633

	2006	2005	Change
	CHF 1,000	CHF 1,000	CHF 1,000
Revenues (from services, interest income, extraordinary items)	70,980	71,586	-606
Expenses (interchange fees, interest expense)	66,260	68,409	-2,149

The increase in the amount due from related companies is due to the fact that a greater portion of the Telekurs Group's liquidity was placed with related companies at year-end 2006 than at year-end 2005. In addition, a number of items were invoiced ahead of year-end 2006, while the corresponding invoices for 2005 were presented after year-end. This resulted in an increase in amounts due from related companies and due to related companies (the latter because of revenue accruals).

23 EVENTS AFTER BALANCE SHEET DATE

No events took place after the balance sheet date whose reporting is required.

TELEKURS GROUP 2006 CONSOLIDATED ACCOUNTS

CONSOLIDATED COMPANIES

GROUP COMPANIES	Business area	Share capital in 1,000	Percentage held 2006 ¹	Percentage held 2005 ¹
SWITZERLAND				
Telekurs Holding Ltd, Zurich	I	CHF 45,000	100%	100%
Telekurs Multipay Ltd, Wallisellen	C	CHF 6,500	100%	100%
Telekurs Card Solutions Ltd, Zurich	C	CHF 100	100%	100%
Swiss Interbank Clearing Ltd, Zurich	E	CHF 1,000	75%	75%
Telekurs PayNet Ltd, Zurich	E	CHF 1,000	100%	100%
PayNet International Ltd, Wallisellen	E	CHF 4,000	100%	100%
Telekurs Financial Information Ltd, Zurich	F	CHF 5,000	100%	100%
Rolotec Ltd, Biel	F	CHF 200	75%	75%
Telekurs Services Ltd, Zurich	I	CHF 52,500	100%	100%
Telekurs Card Services Ltd, Zurich (not operational)	C	CHF 100	100%	100%
Swisskey Ltd, Zurich (not operational)	E	CHF 100	100%	100%
Telekurs Multi Solutions Ltd, Zurich ²	C	CHF 100	100%	0%
EUROPE				
Telekurs (Deutschland) GmbH, Frankfurt am Main	F	EUR 511	100%	100%
Telekurs (Luxembourg) S.A., Luxembourg	F	EUR 31	100%	100%
Telekurs (France) SAS, Paris	F	EUR 400	100%	100%
Telekurs (Nederland) B.V., Amsterdam	F	EUR 250	100%	100%
Telekurs (Italia) s.r.l., Milan	F	EUR 100	100%	100%
Telekurs (U.K.) Ltd, London	F	GBP 500	100%	100%
Telekurs Card Solutions GmbH, Hamburg ³	C	EUR 25	100%	100%
AMERICA				
Telekurs (USA) Inc., Stamford	F	USD 2,045	100%	100%
ASIA				
Telekurs (Japan) Ltd, Tokyo	F	JPY 40,000	100%	100%
Telekurs (Hong Kong) Ltd, Hong Kong	F	HKD 4,000	100%	100%
Telekurs (Singapore) Pte. Ltd, Singapore	F	SGD 25	100%	100%
NONCONSOLIDATED SHAREHOLDINGS				
SECB Swiss Euro Clearing Bank GmbH, Frankfurt am Main	E	EUR 9,200	25%	25%
MasterCard Worldwide Inc., St. Louis ⁴	C		0.49%	0.88%

C = Card-Based Payment Systems
E = Electronic Payment Systems
F = Financial Information Services
I = IT and Facility Services

¹ For all companies, the percentage of shares held is equal to the percentage of votes held

² Telekurs Multi Solutions Ltd was founded in 2006

³ Held by Telekurs Card Solutions Ltd

⁴ Held by Telekurs Multipay Ltd

REPORT OF THE GROUP AUDITORS



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To the General Meeting of
Telekurs Holding Ltd, Zurich

Zurich, February 14, 2007

Report of the group auditors

As group auditors, we have audited the consolidated financial statements (income statement, balance sheet, statement of cash flows, company capital prove and notes) of Telekurs Holding Ltd for the year ended December 31, 2006.

These consolidated financial statements are the responsibility of the board of directors. 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 Swiss Auditing Standards, which 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 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss GAAP ARR and comply with Swiss law.

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

Ernst & Young Ltd

Thomas Schneider
Swiss Certified Accountant
(in charge of the audit)

René Hunziker
Swiss Certified Accountant

FIVE-YEAR OVERVIEW

INCOME STATEMENT	2006	2005	2004	2003	2002
	CHF mm	CHF mm	CHF mm	CHF mm	CHF mm
Card-based Payment Systems	386.5	363.2	387.1	406.4	365.3
Electronic Payment Systems	31.7	37.4	43.4	44.9	46.7
Financial Information Services	243.1	229.7	225.2	240.1	258.9
IT and Facility Services	36.5	18.0	33.4	35.4	33.4
Total operating revenues	697.8	648.3	689.1	726.8	704.3
Personnel expenses	277.9	259.3	275.6	294.5	291.5
Other operating expenses	355.7	331.6	359.4	378.9	345.2
Total operating expenses	633.6	590.9	635.0	673.4	636.7
Earnings before interest and taxes	64.2	57.4	54.1	53.4	67.6
Net earnings from financing activities	6.1	3.2	1.1	2.9	4.4
Extraordinary items (net)	24.1	6.4	18.7	24.0	0.8
Taxes	-15.3	-9.2	-14.1	-11.8	-19.8
Minority interests	-1.4	-1.6	-0.9	-1.0	-0.4
Annual net income	77.7	56.2	58.9	67.5	52.6
BALANCE SHEET	2006	2005	2004	2003	2002
at December 31	CHF mm	CHF mm	CHF mm	CHF mm	CHF mm
Current assets	816.9	692.9	590.1	633.3	703.1
Fixed assets	165.4	141.3	154.0	176.2	205.6
Total assets	982.3	834.2	744.1	809.5	908.7
Liabilities	601.3	505.3	429.5	507.0	492.3
Shareholders' equity (incl. minority interests)	381.0	328.9	314.6	302.5	416.4
Total shareholders' equity and liabilities	982.3	834.2	744.1	809.5	908.7
Total employees at December 31	1,722	1,698	1,792	2,052	2,075

INCOME STATEMENT

	2006	2005
	CHF 1,000	CHF 1,000
Dividend revenues	27,133	40,737
Financial revenues	6,658	3,847
Other revenues	7,941	7,090
Total revenues	41,732	51,674
Personnel expenses	-5,169	-4,499
Financial expenses	-3,887	-1,671
Other expenses	-3,068	-2,844
Total expenses	-12,124	-9,014
Net operating income	29,608	42,660
Extraordinary revenues	95	1,721
Extraordinary expenses	-7,746	-7,003
Annual net income before taxes	21,957	37,378
Taxes	9	-97
Annual net income	21,966	37,281

BALANCE SHEET

ASSETS	2006	2005
	CHF 1,000	CHF 1,000
Cash and cash equivalents ¹	242,311	219,697
Trade accounts receivable		
– from third parties	4	1
– from Group companies	36,016	50,855
Other amounts due from third parties	1,676	811
Accrued assets	398	291
Total current assets	280,405	271,655
Fixed assets	108	0
Investments	136,427	136,651
Treasury shares	22,221	22,216
Total noncurrent assets	158,756	158,867
Total assets	439,161	430,522
LIABILITIES AND SHAREHOLDERS' EQUITY		
Trade accounts payable		
– to third parties	244	34
– to Group companies	165,744	133,435
Other current liabilities to third parties	7,145	8,754
Accrued liabilities	1,940	1,579
Total current liabilities	175,073	143,802
Provisions	2,217	2,168
Total noncurrent liabilities	2,217	2,168
Total liabilities	177,290	145,970
Share capital	45,000	45,000
Legal reserves		
– General legal reserves	32,187	32,187
– Reserves for treasury stock	22,221	22,216
Free reserves	135,644	143,015
Retained earnings		
– Earnings carried forward	4,853	4,853
– Annual net income	21,966	37,281
Total shareholders' equity	261,871	284,552
Total liabilities and shareholders' equity	439,161	430,522

¹ Cash and cash equivalents include balances held with shareholder banks.

NOTES TO THE FINANCIAL STATEMENTS

	2006	2005
	CHF 1,000	CHF 1,000
Participations		
Participations are listed on page 73		
Treasury stock (in number of shares)		
During 2006, 1 share of treasury stock was repurchased at a price of CHF 5,500	8,825	8,824
Fire insurance value of fixed assets		
The Telekurs Group Policy held by Telekurs Services covers computer center components and office equipment	140	81
Pledged assets securing Holding liabilities	32,148	28,290
Liabilities to pension plans	801	1,359
Contingent liabilities		
Aggregate amount of sureties and guarantees in favor of third parties (guarantees to subsidiaries)	1,026	2,554
Joint liability from consolidated value-added-tax filing status	pro memoria	pro memoria
Joint liability from VISA acquiring contract	pro memoria	pro memoria
Off-balance-sheet leasing obligations		
Leasing for company vehicles		
– due within 1 year	30	16
– due in 1 – 3 years	0	13
– due in more than 3 years	0	0

OFF-BALANCE-SHEET TRANSACTIONS

CURRENCY SWAPS	31.12.2006	31.12.2005	Change
	CHF 1,000	CHF 1,000	CHF 1,000
Total nominal contract value	7,440	1,710	5,730
Total net unrealized profit or loss	45	6	39
of which already recognized	45	6	39

CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	General legal reserves	Reserves for treasury stock	Free reserves	Retained earnings	Total shareholders' equity
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
at January 1, 2006	45,000	32,187	22,216	143,015	42,134	284,552
Appropriation of retained earnings:						
– dividend paid					–44,647	–44,647
– reserves released				–7,366	7,366	0
– to treasury stock reserves			5	–5		0
Annual net income					21,966	21,966
at December 31, 2006	45,000	32,187	22,221	135,644	26,819	261,871

Share capital comprises 90,000 registered shares with a nominal value of CHF 500 each. Of these, 8,825 (8,824 in 2005) with a value of CHF 22.2 million (CHF 22.2 million in 2005) are held as treasury stock. During 2006, one share of treasury stock was repurchased at a price of CHF 5,500.

PROPOSED ALLOCATION OF RETAINED EARNINGS

Board of Directors' proposal	2006	2005
	CHF 1,000	CHF 1,000
Earnings carried forward from previous year	4,853	4,853
Annual net income	21,966	37,281
Retained earnings	26,819	42,134
Dividend		
Ordinary dividend of CHF 550 (CHF 550 in 2005) per registered share of CHF 500 nominal value	49,500	44,647
Extraordinary dividend of CHF 220 per registered share of CHF 500 nominal value	19,800	0
Allocation to free reserves	-42,481	-7,366
Profit carried forward to the following year	0	4,853
Total	26,819	42,134

The difference between the proposed dividend (CHF 49,500,000) and the dividend effectively paid for 2005 relates to the dividend on treasury stock, payment of which Telekurs Holding Ltd elected to waive.

REPORT OF THE STATUTORY AUDITORS



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To the General Meeting of
Telekurs Holding Ltd, Zurich

Zurich, February 14, 2007

Report of the statutory auditors

As statutory auditors, we have audited the accounting records and the financial statements (income statement, balance sheet and notes) of Telekurs Holding Ltd for the year ended December 31, 2006.

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 Swiss Auditing Standards, 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 and the proposed appropriation of available earnings comply with Swiss law and the company's articles of incorporation.

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

Ernst & Young Ltd

A handwritten signature in blue ink, appearing to be 'T. Schneider'.

Thomas Schneider
Swiss Certified Accountant
(in charge of the audit)

A handwritten signature in blue ink, appearing to be 'R. Hunziker'.

René Hunziker
Swiss Certified Accountant



Acquirer – a company contracted to process card-based transactions on behalf of acceptance locations

Acquiring Processing – processing of card-based transactions between an acquirer and its contracted acceptance locations

Basel II – body of supervisory regulation governing capital measurement and capital adequacy for banks promulgated in recent years by the Basel Committee on Banking Supervision

BDD (Business Direct Debit) – a direct debit procedure used by Swiss banks for processing domestic and cross-border direct debits in Swiss francs and euros. It is primarily intended for businesses engaged in delivery versus payment transactions.

BIC (Bank Identifier Code) – a unique code identifying individual banks. With effect from January 1, 2006, European banks require all payment instructions they process to include the → IBAN (International Bank Account Number) and BIC of the recipient. Use of IBAN und BIC enables payment processing to be fully automated.

B2B (Business to Business) – designates the market segment for corporate clients

B2C (Business to Consumer) – designates the market segment for consumers

CAP (Chip Authentication Program) – an application for cards with embedded chips. CAP-enabled Maestro cards enable e-banking customers to authenticate themselves vis-à-vis their bank.

CASH – a means of electronic payment that is suitable for small purchase transactions. It takes the form of a chip on Swiss Maestro cards, CASH Postcards and Co-CASH cards.

CertES – a form of digital signature, defined by the Swiss Federal Law on Electronic Signatures, which may be issued only to individuals

DCC (Dynamic Currency Conversion) – a system enabling automatic currency conversion to be executed at the point-of-sale terminal. On transactions conducted in a currency other than the card's billing currency, the cardholder can choose whether to have the purchase amount converted instantaneously into his card currency at an exchange rate offered to him at the point of sale, or to have the purchase amount passed on to the card issuer in the purchase currency.

EBPP (Electronic Bill Presentation and Payment) – electronic processing and payment of invoices

EFT/POS (Electronic Funds Transfer at the Point of Sale) – designates cashless transactions at the point of sale

EMV/ep2 – EMV is a standard providing a higher level of card payment security, thus helping to prevent card misuse. It was developed jointly by MasterCard and VISA. ep2 is the Swiss national processing protocol for EMV-enabled transactions. Transactions processed on ep2 payment terminals are handled even faster and more securely.

euroSIC – Swiss Interbank Clearing Ltd's interbank payment system for euro transactions in Switzerland and abroad

FDI-D – Swiss Federal Finance Department directive governing data and information transmitted electronically

FDI-D Certificate – a digital certificate for electronic signatures principally used by individuals working in organizations

IBAN (International Bank Account Number) – a standardized syntax for bank account numbers used in international payments

GLOSSARY

IBASEC – a security system for interbank communications used by → SIC, → euroSIC and SIS Group's → SECOM securities settlement system

Issuer – an organization issuing credit, debit or pre-paid cards. Financial institutions are the only issuers of such cards in Switzerland.

Issuing Processing – technical payment processing carried out for → Issuers.

LSV+ – the Swiss banks' direct debit service used for domestic and cross-border direct debits in Swiss francs and euros

MasterCard SecureCode – a new security standard for the use of MasterCard in e-commerce transactions. A password is used for cardholder authentication.

MDF (Market Data Feed) – real-time market data. This service comprises real-time prices and news from over 800 exchanges and pricing contributors.

MiFID (Markets in Financial Instruments Directive) – EU directive on markets in financial instruments which aims to harmonize the regulations applied to financial markets in the EU

Mobile Voucher – a system for loading additional credit from a payment terminal to chip-based prepaid applications such as prepaid mobile phones

Online to Issuer – a function enabling banks to authorize card-based transactions directly

payCOM^{web} – internet-based solution for transmitting payment instructions in DTA format (DTA = Datenträger-Austausch. In English, file exchange) and direct debits

payROUTE – access system for bank customer payments

POS (Point of Sale) – place where sales transactions take place, such as a shop counter

remoteGATE – remote interface for domestic and foreign financial institutions, providing access to the Swiss SIC and euroSIC interbank payment systems

SECOM (Settlement Communication System) – the SIS Group's securities settlement system

Secure E-Commerce – secure card-based payments over the internet

SEPA (Single Euro Payments Area) – the unified euro payments area which should be in place by 2010. This will involve total automation and standardization of the payments traffic infrastructure. A key objective is for payments between countries to have identical costs to those made within one country.

SIC – the interbank payment system for Swiss francs. Swiss Interbank Clearing Ltd has a mandate from the Swiss National Bank to operate this system.

SSL encryption – Secure Sockets Layer (SSL) is an encryption protocol for data transfers via the internet.

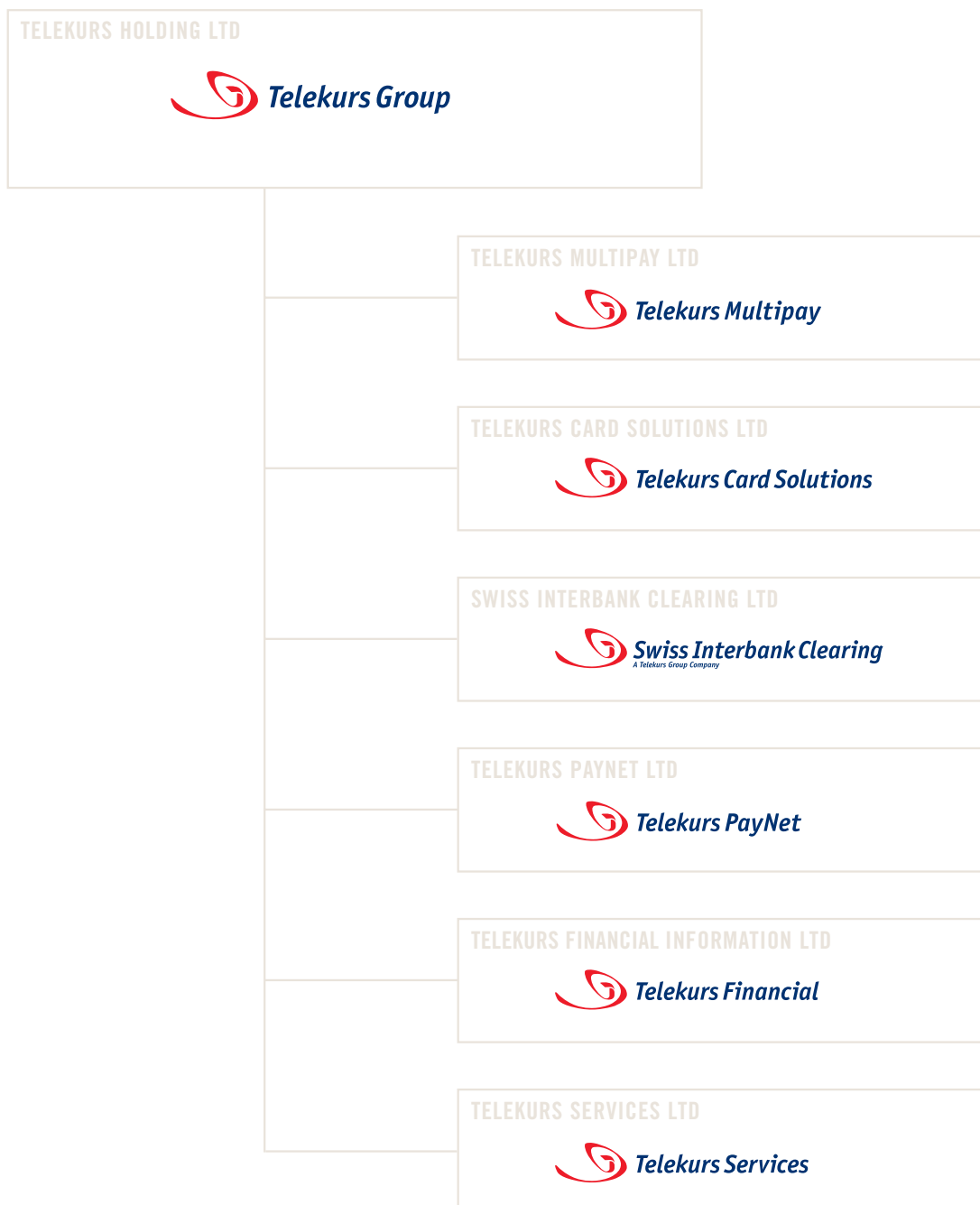
Swiss Value Chain – the fully electronic integration of securities transactions – covering trading, settlement and payment – through the interfacing of the systems operated by SWX Swiss Exchange, SIS and Swiss Interbank Clearing Ltd

VDF (Valordata Feed) – Telekurs uses VDF to feed structured and coded basic data, corporate actions and valuation prices directly into its clients' databases.

Verified by VISA – a new security standard for the use of VISA in e-commerce transactions. A password is used for cardholder authentication.

V PAY – a new VISA debit card which already uses SEPA-compliant chip technology

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* Member of the Nomination and Compensation Committee

** Member of the Audit Committee

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Architecture

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Christine Marsteller
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Telekurs Group shareholders

The share capital of the Telekurs Group is held by the Swiss banks. All major banks and banking groups are represented among the shareholders, including the country's two largest banks and the cantonal and regional banks, as well as the Raiffeisen banks, the private banks, foreign banks and commercial banks.

TELEKURS GROUP COMPANIES' BOARDS OF DIRECTORS

At the 2006 Annual General Meeting, Peter Sami, CEO of the SIS Group, was elected as a member of the Board of Directors of Telekurs Services Ltd.

TELEKURS GROUP EXECUTIVE COMMITTEE

The Board of Directors has appointed Marc Carletti to the post of CEO of Telekurs Financial Information Ltd with effect from May 1, 2007. He will succeed Eugen Niesper, who will retire in mid-2007.

Simultaneously, the Board also appointed Mrs. Ursula C. La Roche-Ender, the Telekurs Group CFO, to membership of the Group Executive Committee of the Telekurs Group.

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