

SIX Group's baptism of fire in its first year of business

In an industry where strong consolidation processes are under way, and against a backdrop of turbulent markets, SIX Group successfully launched into its first year of business. The basic principles of the corporate culture and the brand were defined and implemented in line with a newly devised strategy. Despite strong competition and substantial price reductions, SIX Group was able to post a very good financial result.

Consolidation continues unabated

The consolidation of financial infrastructure providers gained further ground in the year under review. New providers, such as Chi-X and Turquoise, began operating in the securities trading sector. Low trading fees and high system performance clearly set them apart from traditional stock exchange operators. Moreover, a number of market debuts were announced for 2009. Competition also grew stronger in other segments, such as card processing, be it through mergers between providers or bidding on large portfolios. The competitive situation has in turn led to increased price pressure, a dynamic that is likely to continue this year.

In a parallel development, market regulation activities gathered momentum in different countries. The European Union, in particular, is abiding by its intention to create a unified financial market and common payment area across Europe. The introduction of the SEPA guidelines sets important parameters that will have an impact on SIX Group's offering as well. The enactment of the Code of Conduct in securities trading and processing put further pressure on market participants to remove national barriers and allow foreign providers to access the infrastructure. In the field of cross-border securities transactions, cooperation between different national CSDs led to the establishment of the Link Up Markets platform, whose mission is to simplify cross-border processes. In the form of Target2-Securities, the European Central Bank presented its vision of a unified pan-European infrastructure for securities transactions, which could specifically have an impact on Switzerland's regulatory sovereignty.

SIX Group as the partner of first choice

Against this backdrop of far-reaching changes, the task of defining a new Group strategy was tackled already in the first quarter. The Board of Directors duly approved the key elements of the strategy at an initial workshop held in May. The strategic thrusts and prerequisites for branding were defined on the basis of a vision.

The Group's vision focuses specifically on customer needs: SIX Group and its companies are to be the partners of first choice, who will simplify the infrastructure users' existing business operations and accelerate their expansion into new business fields. SIX Group aims to help clients be more successful through innovation. The vision rests on four pillars, which provide the basis for SIX Group's strategy:

- The bundling of services is aimed at creating economies of scale that, on the one hand, improve the cost situation for customers and, on the other hand, enable them to focus on their core business.
- In order to justify the high infrastructure investments in economic terms, transaction volumes are to be increased through international growth. This will make the Group's first-rate services available to customers beyond Switzerland's boundaries, and the resultant economies of scale will benefit Swiss customers as well.
- The degree of integration of the Swiss Value Chain, which is unparalleled around the world, is to be further increased. SIX Group intends to use an innovative approach to secure a position among the world's leading providers.
- Operating the financial market infrastructure calls for in-depth know-how and a wealth of experience. SIX Group therefore needs to recruit and hold well-trained and motivated staff members. It intends to create the preconditions for this through its strong appeal as an employer.

Vision

SIX Group is the partner of first choice for customers in the securities, financial information and payments fields, providing support for business innovations and increasing operational efficiency.

These four pillars serve as the starting points for strategy development in the divisions (refer to the reports of the respective business fields for details). A special challenge for SIX Group arises from the need to develop cross-divisional services. A list of ideas for projects was set up and prioritized. In an initial step, two projects were picked from this list and initiated, namely web-based infrastructure and enriched securities master data.

In view of SIX Group's wide-ranging business offering, the Board of Directors also needed to address the question of strategic priorities. In so doing, it kept the Swiss Value Chain foremost in mind. The elements of the Swiss Value Chain – trading, clearing, settlement, interbank payments and master data – form the core of the Group's strategy. A higher degree of integration, more efficient processes and high service quality are to create immediate added value for users. In the other business fields, the strategy is geared at raising economic value by seizing opportunities arising from the consolidation process at work in the financial industry.

The strategy is to be implemented with a strong emphasis on the organic development of business volumes. At the same time, cooperation and acquisition opportunities will also be examined. The joint venture agreed at the end of 2008 with Luxembourg's Cetrel S.A., in which SIX Group has a 50% stake, is a case in point. Together, the two companies are to revamp Cetrel's application for credit-issuing processing so as to provide a more complete range of services.

Positive start to the first business year

Despite the turbulent economic conditions, SIX Group can look back on a successful year of business. In assessing the business results, it is difficult to compare year on year as the previous year's values are only representative of the former SWX Group. This is a direct result of the merger that led to the formation of SIX Group. From a legal point of view, SWX Holding acquired the SIS and Telekurs Groups. Any comparison with the previous year is thus only relevant to a limited degree.

SIX Group benefited from the general economic conditions in 2008. The highly volatile equities market and the economic situation boosted income development in all areas of business. Lower turnovers in securities trading – primarily as a result of declining stock prices – did not detract from this profitable pattern of events. The Group's operating result amounted to CHF 1,347.9 m. Another positive factor was the initial consolidation of Fininfo SA, which was acquired by the Financial Information division at the end of 2007. Any appraisal of the absolute income figures must also take into account the fee adjustments made in the report year in Securities Trading and Securities Services, which resulted in total price reductions of over CHF 50 m.

The acquisition of Fininfo was felt on the cost side as well. Personnel and operating expenses rose disproportionately to CHF 525.7 m and CHF 304.9 m respectively. The change in trading income can largely be put down to a loss of value in SIX Group's securities portfolio, which was taken over from the predecessor companies, as well as to losses in holdings in US dollars. The strong rise in other operating income from CHF 65.1 m to CHF 117.2 m is also a direct consequence of the merger between the former companies. Services related to the terminal business and infrastructure services provided by the IT & Logistics division to third parties are reported under this item for the first time. As a result, gross income amounted to CHF 517.2 m. This gratifying increase reflects, on the

one hand, the good income situation of the individual business fields and, on the other hand, the expansion of business as a result of the merger.

The harmonization of valuation principles performed during the merger led to a uniform treatment of proprietary software (for details, see the financial section). At the same time, the reporting of own developments on the assets side markedly increased depreciations to CHF 98.3 m. SIX Group closed its first year of business with a Group income of CHF 306.1 m. As minority interests account for 25% of SIX Interbank Clearing and Rolotec's equity, Group income has to be adjusted by CHF 1.9 m.

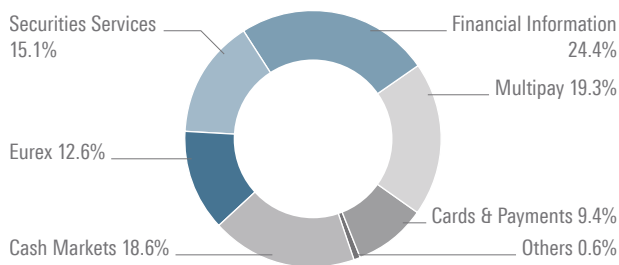
Challenging integration process

It was obvious from the outset that the merger of three distinct companies was an ambitious enterprise. The integration project was therefore launched as early as year-end 2007 and expedited with great commitment in the report year. Corporate Services faced a particularly strong challenge, first and foremost the IT & Logistics and Finance & Risk divisions. Their main tasks revolved around merging the technical infrastructure (workspace, e-mail, intranet platform etc.), setting up new financial management tools at Group level and harmonizing staff members' employment conditions. At the same time, the teams were required to implement the reorganization measures necessitated by the merger. Understandably, numerous projects had to be carried over into 2009. It was satisfying to see the IT & Logistics division pinpoint potential synergies from day one and begin to exploit them immediately. The project entitled "Move On" incorporates the individual measures that are to generate cost savings of around CHF 50 m by the end of 2010. This makes it possible to handle the rapid increase in volumes without additional personnel by optimizing the way in which the infrastructure is used. Project costs (primary and secondary) of CHF 13.7 m reflect the vast project portfolio that needed to be dealt with.

Merging three companies represents a challenge at the cultural level as well. Based on the vision approved by the Board of Directors, the central corporate values "Passion and Pride", "Respect and Trust" and "Innovation and Openness" were defined at a series of team-building workshops. In a multilevel process, all of SIX Group's staff members in Switzerland and abroad familiarized themselves with the corporate values and their application to daily work. A prime consideration was to form working groups composed of managers from different divisions in order to foster mutual understanding between the business fields. The associative cartography method, developed specifically for such topics, allows for the discussion of corporate values to be continued in 2009 with a view to achieving long-term behavioral changes.

The Group's visual image was redesigned to enable the Group to consistently portray its vision, strategy and culture to the outside world. In the course of this project, the working title "Swiss Financial Market Services" was replaced by a new image based on the acronym SIX – **S**wiss **I**nfrastructure and **E**Xchange – and a hybrid brand architecture. The latter retains the brand value of the old company names while at the same time expressing the unity of the Group. The next stage of implementation involved applying the new corporate design to the market images of the respective divisions. The relevant tasks have not yet been completed. The integral communication of corporate values and brand features deepened staff members' understanding and demonstrated how the two are interconnected.

Percentage of turnover by divisions in 2008



In the 2009 business year, the strategic orientation of the Group and the divisions will be further refined. The objective is to absorb the experience gained so far and forge ahead on the path we have committed ourselves to. Further strategic options are to be developed along the way. A systematic business development process will offer valuable impulses on how to turn the spotlight back on markets and customers after a year shaped largely by integration projects.

Significant deterioration of the market environment

The final quarter of 2008 made it obvious that the financial crisis will have more far-reaching repercussions than initially assumed. It became increasingly evident that the crisis had spread to the real economy and triggered an economic downturn. This is a development SIX Group cannot elude. A further decline in securities trading volumes is therefore to be expected. Thanks to the international expansion strategies that have already been implemented, the other segments should be in a position to at least partially compensate for decreasing turnovers by acquiring new clients. Although turnover is expected to decline slightly overall, the infrastructure users will again benefit from price reductions in 2009.

Ongoing internal integration work will focus primarily on fully harmonizing the IT infrastructure, a task which has still not been completed. Also pending is the integration of the SAP systems in the context of financial management. With project costs totaling at around CHF 220 m, the year will involve further substantial investments. Two important focal points are the trading platform of the Securities Trading business field and the systems of the Financial Information business field; they are both to be revamped.