



Interim Report September 30, 2004



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# Board of Directors and Staff

## **BOARD OF DIRECTORS OZ HOLDING**

Erwin W. Heri (Chairman)

Elfried Hasler

Stefan Holzer

Peter Rüegg

## **MANAGEMENT OZ BANKERS AG**

Markus Eberle

Peter Rüegg

Andreas Walther

## **STAFF OZ BANKERS AG**

Beat Arnold

Ulrich Bender

Denise Camele

Andres Gujan

Alexander Heeb

Karl-Heinz Hoch

Andreas Jenny

Marcel Jordi

Béatrice Leutwiler

Reto Peczinka

Daniel Reptsis

Daniel Stemmle

Marco Tinnirello

Christian Waldispühl

# Report of the Board of Directors of OZ Holding

## DEAR SHAREHOLDERS

The stock markets' sluggishness throughout the early summer months which I had mentioned in the last interim report even increased in late summer. This had a particularly negative impact on the transaction-oriented brokerage – the traditional volume business on the Swiss stock market. Nevertheless we succeeded in raising commission income from 15.1 million to 16.1 million francs in the first nine months. Not least of all, this success was due to the fact that we consistently diversified our business model towards more corporate finance consulting and asset management in the past years.

In the current year we issued certificates as asset management products for the first time. The «Swiss Micro Cap Basket» in the first half was followed by the «Swiss Real Estate Basket» in the third quarter. Both products were successfully sold on the markets through partner banks. Our issuing business also developed outstandingly. With 35 new options in the first nine months we exceeded the volume of the entire previous year.

Our net profit reached 15.1 million francs in the first nine months, 2.9 million less than in the previous year. Apart from lower trading income, this was mainly due to the fact that we expanded our personnel and systems resources with regard to our increased focus on the commission business. Since we are convinced that this strategy adaptation is the right thing to do, we will continue expanding in this direction as opportunities arise.

A further aspect which hits small banks like ourselves disproportionately is the growing trend toward over-regulation. Five to ten percent of our staff is almost exclusively occupied with «compliance» and regulation – all of this in addition to the costs for external and internal auditing. Consequently, we will strengthen our team

with Lorenzo Trezzini as our new Chief Financial Officer. Apart from his function as CFO, Mr. Trezzini will also support the corporate finance team with his know-how. Andreas Walther, who held the position of CFO over the last years, will – against the background of increasing regulatory density – now put his main focus on compliance, reporting and auditing.

As in summer, our outlook remains relatively optimistic in autumn. Despite all possible risks, the economic data looks reasonable, and we do not belong to the doomsayers who see new dangers lurking around every corner. While the current price hikes on the commodities markets hold certain risks, only a dramatic further escalation would have a really sustainable impact on the world economy. After all, we should not forget that in the long run somewhat higher oil prices may also have a quite desirable guiding effect. In our view, a further pickup in economic activity deserves a certain credit, and we believe that this will eventually positively impact corporate profits. We will soon find out if this will happen as soon as the third quarter. But perhaps the time has come anyway to distance ourselves from the media frenzy surrounding quarterly results and to focus instead on the longer-term perspectives. This would probably be a good thing for certain investments (and, as a result, long-term corporate profits) which may be expensive in the short term but lucrative over time – «... we're not all dead in the long run».

Pfäffikon, October 4, 2004

For the Board of Directors



Prof. Dr. Erwin W. Heri, Chairman



## Consolidated Financial Statements

# Balance Sheet

## Assets

	Notes	Dec. 31, 2003 CHF	Sep. 30, 2004 CHF
<b>CURRENT ASSETS</b>			
Due from banks		202,768,186	151,454,798
Due from clients		34,071,441	39,575,535
Trading securities		161,998,306	174,340,439
Accrued and deferred items		911,238	879,109
<b>Total current assets</b>		<b>399,749,171</b>	<b>366,249,881</b>
<b>TOTAL ASSETS</b>		<b>399,749,171</b>	<b>366,249,881</b>

# Balance Sheet

## Liabilities and Shareholders' Equity

	Notes	Dec. 31, 2003 CHF	Sep. 30, 2004 CHF
<b>LIABILITIES</b>			
<i>Current</i>			
Due to banks		12,559,982	39,111,493
Due to clients		131,534,659	115,778,433
Due from trading		42,418,266	52,373,356
Accrued and deferred items		7,347,666	2,506,111
Total current liabilities		193,860,573	209,769,393
<b>Total liabilities</b>		<b>193,860,573</b>	<b>209,769,393</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	1	4,198,870	3,500,000
Own shares		- 4,650,000	- 3,550,000
Reserves		206,339,728	156,530,488
<b>Total shareholders' equity</b>		<b>205,888,598</b>	<b>156,480,488</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>399,749,171</b>	<b>366,249,881</b>



# Income Statement Third Quarter

	Notes	July 1 - Sep. 30 2003 CHF	July 1 - Sep. 30 2004 CHF
<b>INCOME</b>			
Income from securities		6,016,326	1,881,978
Dividend income		42,715	61,712
Interest income		49,004	94,700
Commission income		5,226,865	4,193,629
<b>Total income</b>		<b>11,334,910</b>	<b>6,232,019</b>
<b>EXPENSES</b>			
Administrative expenses		908,031	1,265,198
Personnel expense		852,317	993,313
Financial expense		25,221	23,645
Commission expense		286,109	297,753
<b>Profit before tax</b>		<b>9,263,232</b>	<b>3,652,110</b>
Taxes		1,225,943	112,230
<b>PROFIT JULY 1 - SEPTEMBER 30</b>		<b>8,037,289</b>	<b>3,539,880</b>
Profit per share	4	1.96	1.05

# Income Statement Accumulated

	Notes	Jan. 1 – Sep. 30 2003 CHF	Jan. 1– Sep. 30 2004 CHF
<b>INCOME</b>			
Income from securities		9,103,895	6,106,346
Dividend income		1,962,891	3,412,682
Interest income		173,221	120,593
Commission income		15,074,033	16,083,931
<b>Total income</b>		<b>26,314,040</b>	<b>25,723,552</b>
<b>EXPENSES</b>			
Administrative expenses		3,117,394	3,868,358
Personnel expense		2,619,996	2,932,162
Financial expense		81,778	335,028
Commission expense		733,004	1,980,846
<b>Profit before tax</b>		<b>19,761,868</b>	<b>16,607,158</b>
Taxes		1,793,491	1,489,188
<b>PROFIT JANUARY 1 – SEPTEMBER 30</b>		<b>17,968,377</b>	<b>15,117,970</b>
Profit per share	4	4.38	4.01

# Cash Flow Statement

	Notes	Jan. 1 – Sep. 30 2003 CHF	Jan. 1 – Sep. 30 2004 CHF
Profit		17,968,377	15,117,970
(Increase) decrease in accrued and deferred items (asset side)		- 848,553	32,130
(Decrease) increase in accrued and deferred items (liability side)		1,935,463	- 4,841,555
(Increase) decrease in amounts due from banks		8,017,000	8,745,000
(Increase) decrease in trading securities		- 22,485,051	- 2,387,043
(Decrease) increase in amounts due to clients		57,174,274	- 15,756,226
(Increase) decrease in amounts due from clients		- 19,334,195	- 5,504,094
<b>Net cash flow provided by operating activities</b>		<b>42,427,315</b>	<b>- 4,593,818</b>
Repayment of shareholders' equity		0	- 55,854,233
Change in own shares	2	196,132	- 2,671,847
Dividends		- 6,298,305	- 6,000,000
<b>Net cash flow used by financing activities</b>		<b>- 6,102,173</b>	<b>- 64,526,080</b>
<b>(Decrease) increase in «Banks at Sight»</b>		<b>36,325,142</b>	<b>- 69,119,898</b>
«Banks at Sight» on January 1		79,216,321	116,963,204
«Banks at Sight» on September 30		115,541,463	47,843,306
«Banks at Sight» consists of amounts due from minus amounts due to:			
Amounts due from banks at sight		142,343,922	86,954,799
Amounts due to banks at sight		26,802,459	39,111,493
<i>Total «Banks at Sight»</i>		<i>115,541,463</i>	<i>47,843,306</i>
Dividends received (excluding financial investments)		1,962,891	3,412,682
Interest received		173,221	120,593
Interest paid		81,778	335,028
Taxes paid		203,131	7,533,169

# Statement of Changes in Equity

	Share capital	Capital reserves	Consolidated reserves	Own shares	Total shareholders' equity
	CHF	CHF	CHF	CHF	CHF
Position at Jan. 1, 2003	4,198,870	- 3,747,668	194,443,295	- 9,050,000	185,844,497
Dividend payment			- 6,298,305		- 6,298,305
Annual profit			25,145,694		25,145,694
Change in own shares		- 3,203,288		4,400,000	1,196,712
Position at Dec. 31, 2003	4,198,870	- 6,950,956	213,290,684	- 4,650,000	205,888,598
Dividend payment			- 6,000,000		- 6,000,000
Repayment of shareholders' equity - 698,870			- 55,155,363		- 55,854,233
Profit Jan. 1 - Sep. 30, 2004			15,117,970		15,117,970
Change in own shares		- 3,771,847		1,100,000	- 2,671,847
Position at Sep. 30, 2004	3,500,000	- 10,722,803	167,253,291	- 3,550,000	156,480,488

# Notes

## **COMMENT ON BUSINESS ACTIVITY**

Through OZ Bankers AG, OZ Group specializes in the Swiss equity market, specifically the market for options. The services include trading in Swiss securities as well as investment consulting, asset management and issuing warrants.

## **BASIC ACCOUNTING PRINCIPLES**

The consolidated financial statements are based on the individual financial statements of the group companies, prepared on a uniform basis. The accounting of OZ Group is in accordance with the International Financial Reporting Standards (IFRS).

## **Consolidated Companies**

The following company was included in the consolidation of OZ Holding, Freienbach SZ, Switzerland:

OZ Bankers AG, Freienbach SZ, Switzerland

Share capital of OZ Bankers AG: CHF 20,000,000

Percentage held: 100.0%

Number of employees: 17

# Notes

	Dec. 31, 2003 CHF	Sep. 30, 2004 CHF
<b>1. SHARE CAPITAL</b>		
Number of bearer shares	4,198,870	3,500,000 <sup>4)</sup>
Share capital <sup>1)</sup>	4,198,870	3,500,000
Par value per share	1	1
Shareholders' equity per share <sup>2)</sup>	49	45
<b>2. OWN SHARES</b>		
Number of bearer shares	61,460	42,740 <sup>3)</sup>
Reserve for own shares	4,650,000	3,550,000

1) Own shares held in the nostro account were not offset against share capital.

2) Prior to appropriation of profit and after capital repayment.

3) During the reporting period, 1,807,917 shares were bought at CHF 82.63 each and 1,826,637 shares were sold at CHF 80.95 (average prices).

4) Based on the resolution passed by the general meeting on February 18, 2004, the share capital was reduced by CHF 198,870 by canceling 198,870 shares. The Board of Directors will propose to the ordinary general meeting 2005 to reduce the share capital by CHF 500,000 by canceling 500,000 more shares.

### 3. SHAREHOLDER STRUCTURE

Shareholders holding more than 5% of the share capital

Liechtensteinische Landesbank Aktiengesellschaft, Vaduz

Zürcher Kantonalbank, Zurich

Shareholders holding more than 10% of the share capital

Pension fund of the Siemens companies in Switzerland, Zurich  
(including further pension institutions of Siemens in Switzerland)

OZ directors and staff (shares and stock options)

Jan. 1 – Sep. 30

2003

CHF

Jan. 1 – Sep. 30

2004

CHF

### 4. PROFIT PER SHARE

Profit

17,968,377

15,117,970

Outstanding bearer shares (weighted)

4,198,870

3,808,239

minus own shares

97,187

42,740

Outstanding bearer shares (weighted) for calculation

4,101,683

3,765,499

Profit per share

4.38

4.01

There are no instruments outstanding that would dilute profit per share.

Profit per share: group profit divided by the number of outstanding bearer shares.

Dec. 31, 2003

CHF

Sep. 30, 2004

CHF

### 5. PLEDGED ASSETS

Securities pledged as collateral under covered warrant agreements

15,652,500

2,000,000

Due from banks

70,485,580

43,251,609

### 6. POST-BALANCE-SHEET EVENTS

There are no post-balance-sheet events to report.

# Outstanding Options (as at September 30, 2004)

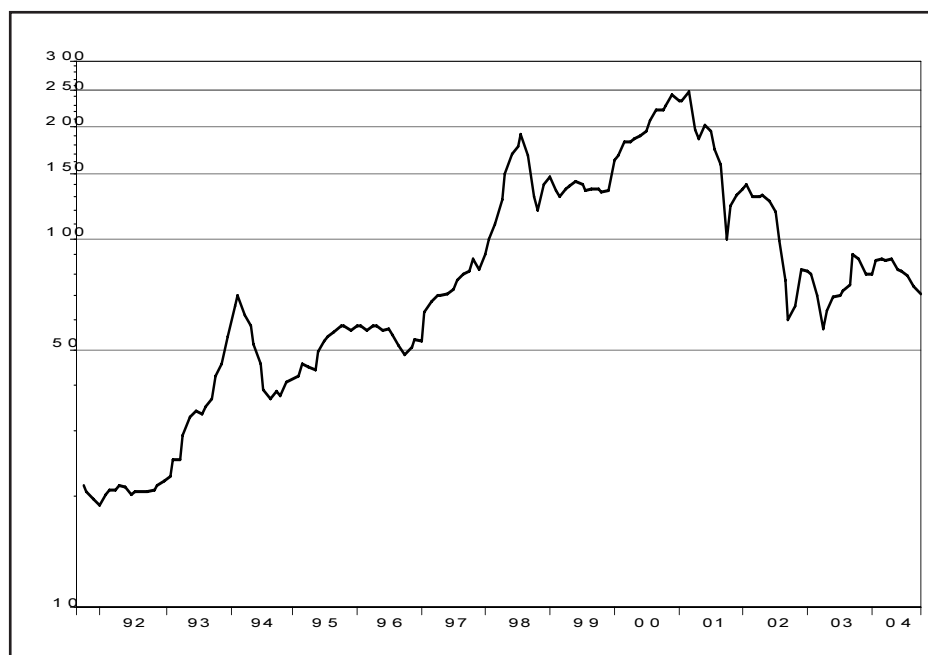
Symbol	Number	Underlying	Strike Price CHF	Maturity Date	Ratio	Capitalization of Underlyings Million CHF
ATLOZ-PUT	3,800,000	ATLN	140	12-15-2004	1/20	24
BBIPU-PUT	5,000,000	BBIN	12.50	12-15-2004	1/2	20
CHRUP-PUT	3,470,000	CHRN	65	12-15-2004	1/10	6
ENRIP-PUT	2,120,000	ENR	110	12-15-2004	1/10	30
JELMI	12,390,000	JEL	1,300	12-15-2004	1/200	97
LOGOZ-PUT	4,850,000	LOGN	57.50	12-15-2004	1/10	29
MASER	3,250,000	MASN	70	12-15-2004	1/10	17
RESPU-PUT	4,800,000	PSPN	42.4313	12-15-2004	2/11	42
SAUPT-PUT	4,345,000	SAUN	57.50	12-15-2004	1/10	30
TECPU-PUT	5,000,000	TECN	50	12-15-2004	1/10	15
BALPI-PUT	9,700,000	BALN	50	12-17-2004	1/10	47
INROL	1,645,200	INRN	110	12-17-2004	1/10	24
UHRPU-PUT	7,500,000	UHR	165	12-17-2004	1/20	63
UNAPU-PUT	6,000,000	UNAX	185	12-17-2004	1/20	33
FINOZ-PUT	1,870,000	FI-N	260	02-16-2005	1/20	29
ENRAP-PUT	2,080,000	ENR	120	03-16-2005	1/10	29
GEBIG	3,000,000	GEBN	825	03-16-2005	1/100	29
JELLY	3,400,000	JEL	1,500	03-16-2005	1/200	27
MASOZ-PUT	6,000,000	MASN	47.50	03-16-2005	1/10	32
RESTL	3,000,000	PSPN	62.9625	03-16-2005	2/11	26
RIEPT-PUT	4,875,000	RIEN	325	03-16-2005	1/50	33
ROLIO	40,000,000	ROL	1.35	03-16-2005	1/2	24
SLOGI	45,000,000	SLOG	1.20	03-16-2005	1/2	24
SLHOZ-PUT	7,000,000	SLHN	165	03-18-2005	1/20	52
VALUE	10,000,000	VALN	350	05-18-2005	1/50	52
BALIX	10,588,103	BALN	197.10	06-15-2005	1/50	10
BALUP	1,607,309	BALN	167.80	06-15-2005	1/10	8
FINPU-PUT	5,000,000	FI-N	300	06-15-2005	1/50	31
GEBOT	4,000,000	GEBN	900	06-15-2005	1/100	39
JELLO	4,000,000	JEL	1,750	06-15-2005	1/200	31
MASIV	5,000,000	MASN	60	06-15-2005	1/10	27
MOVER	25,000,000	MOV	320	06-15-2005	1/250	34
PHOPT-PUT	7,500,000	PHBN	37.50	06-15-2005	1/10	30
PSPOZ	3,500,000	PSPN	45	06-15-2005	1/10	17
UMSUP	20,000,000	UMS	12.50	06-15-2005	1/10	22
YPSOZ	8,000,000	YPSN	75	06-15-2005	1/20	30
GALLO	6,000,000	GALN	200	08-17-2005	1/20	57
SAKIR	4,000,000	SAKN	125	09-21-2005	1/20	20
BBISS	30,000,000	BBIN	9	12-14-2005	1/10	24
GEBUP-PUT	3,000,000	GEBN	900	12-14-2005	1/100	29
FTOPP-PUT	5,000,000	FTON	250	06-15-2006	1/50	21
BALEG	2,938,460	BALN	170	06-20-2007	1/10	14



# OZ Bearer Share

## PERFORMANCE OF OZ BEARER SHARE

August 26, 1991, to September 30, 2004, in CHF



Source: Datastream

Since it was first listed on August 26, 1991, the OZ bearer share has achieved an average annual performance of 9.8%. Taking all the payouts into consideration – dividends, par value reductions and stock buybacks – the annual performance was 12.0%. Over the same period, the Swiss Performance Index (SPI) reached an overall performance of 10,3% p.a.

OZI closing price on December 31, 2003	84.00
OZI closing price on September 30, 2004	68.00
Year's high on March 5, 2004	92.90
Year's low on September 30, 2004	68.00
Dividend paid per share for the 2003 fiscal year	1.50
Dividend yield (closing price September 30, 2004)	2.2%
Reuters symbol	OZIS

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**OZ Market Information**

Market Making Reuters: OZBANKERS  
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**Auditors**

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